

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

JUNE 30, 2015

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**Chariton Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
<b>Board of Education</b>		
Dr. Craig Scott	President	2015
Dave Rich	Vice-President	2017
Kellie Gookin	Board Member	2015
Brian Davis	Board Member	2015
Dusty Cain	Board Member	2017
<b>School Officials</b>		
Paula Wright	Superintendent	2015
Kelley Reece	Board Secretary/ Business Manager	2015
Ahlers and Cooney P.C.	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Chariton Community School District, Chariton Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Chariton Community School District as of June 30, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Chariton Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chariton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2016 on our consideration of Chariton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Chariton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2016  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Chariton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,593,792 in fiscal year 2014 to \$13,357,429 in fiscal year 2015 and General Fund expenditures increased from \$14,047,473 in fiscal year 2014 to \$14,313,067 in fiscal year 2015. The District's General Fund balance decreased from \$3,716,343 at June 30, 2014 to \$2,760,705 at June 30, 2015, a 25.71% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local sources during fiscal year 2015 as compared to the prior fiscal year. The increase in expenditures was due primarily to an increase in the instruction expenditures incurred during fiscal year 2015.

### USING THIS ANNUAL REPORT

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

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

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

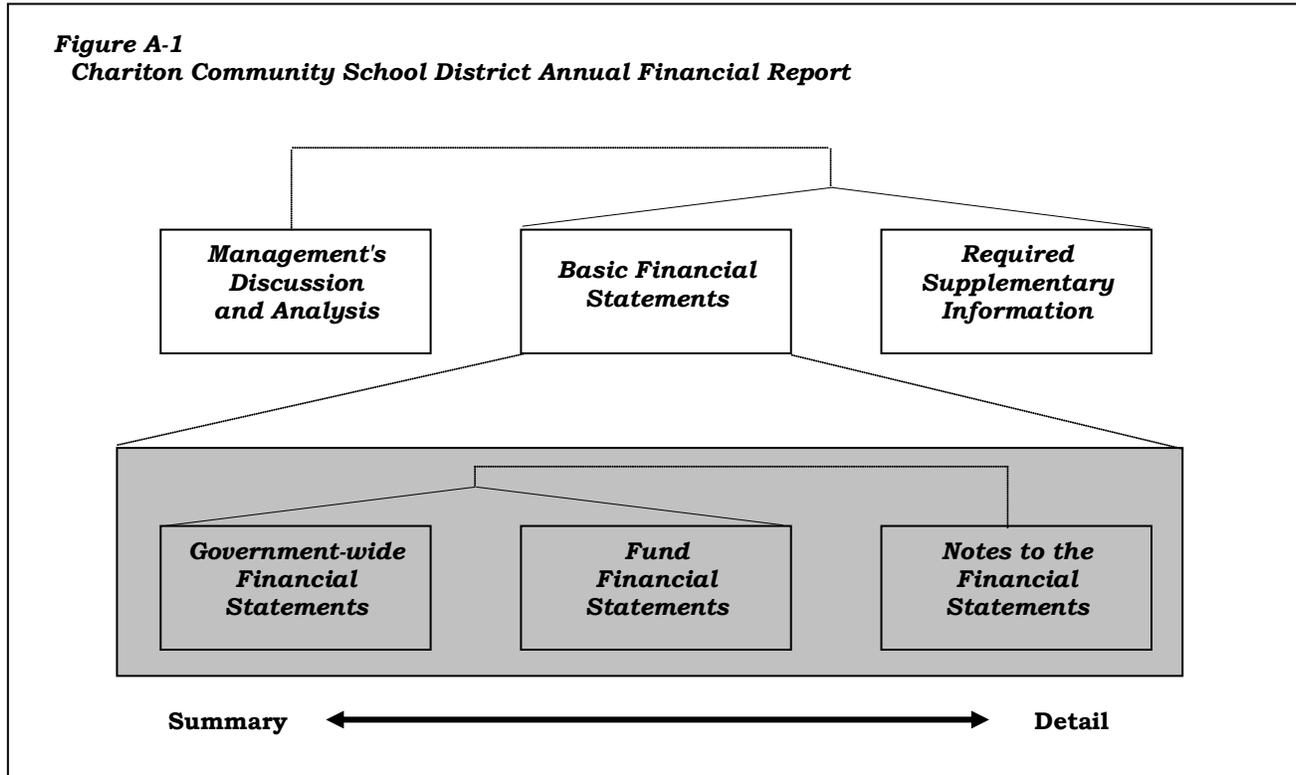
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Chariton Community School District's operations in more detail than the government-wide statements by providing information about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

Notes to 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, the District's proportionate share of the net pension liability and related contributions, 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 details of various federal programs benefiting the District.

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



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

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
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.

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The two government-wide financial statements report the District's net position and how it has 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, the Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the 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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	(Not restated)		(Not restated)		(Not restated)		2014-15
	2015	restated)	2015	restated)	2015	restated)	
Current and other assets	\$ 13,682,608	14,317,511	18,644	2,627	13,701,252	14,320,138	-4.32%
Capital assets	18,554,786	19,168,666	66,877	53,284	18,621,663	19,221,950	-3.12%
Total assets	32,237,394	33,486,177	85,521	55,911	32,322,915	33,542,088	-3.63%
Deferred outflows of resources	1,003,433	-	22,856	-	1,026,289	-	100.00%
Long-term liabilities	14,897,913	10,380,844	140,523	10,306	15,038,436	10,391,150	44.72%
Other liabilities	1,936,914	1,851,845	16,156	10,051	1,953,070	1,861,896	4.90%
Total liabilities	16,834,827	12,232,689	156,679	20,357	16,991,506	12,253,046	38.67%
Deferred inflows of resources	5,894,703	3,982,557	50,621	-	5,945,324	3,982,557	49.28%
Net position:							
Net investment in capital assets	8,914,786	9,391,026	66,877	53,284	8,981,663	9,444,310	-4.90%
Restricted	5,233,569	4,814,623	-	-	5,233,569	4,814,623	8.70%
Unrestricted	(3,637,058)	3,065,282	(165,800)	(17,730)	(3,802,858)	3,047,552	-224.78%
Total net position	\$ 10,511,297	17,270,931	(98,923)	35,554	10,412,374	17,306,485	-39.84%

The District's combined net position decreased by 39.84% or \$6,894,111 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$418,946 or 8.70% from the prior year. The increase unrestricted net position was primarily a result of the increase in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$6,850,410 or 224.78%. The decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,069,928 and \$162,670, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Figure A-4** shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2014-15	
Revenues								
Program revenues:								
Charges for service	\$ 621,235	584,579	190,379	182,805	811,614	767,384	5.76%	
Operating grants, contributions and restricted interest	1,514,835	1,594,510	495,880	492,322	2,010,715	2,086,832	-3.65%	
Capital grants, contributions and restricted interest	-	80,321	-	-	-	80,321	-100.00%	
General revenues:								
Property tax	4,062,699	3,930,248	-	-	4,062,699	3,930,248	3.37%	
Income surtax	180,890	288,215	-	-	180,890	288,215	-37.24%	
Statewide sales, services and use tax	1,263,285	1,195,122	-	-	1,263,285	1,195,122	5.70%	
Unrestricted state grants	8,085,289	7,770,468	-	-	8,085,289	7,770,468	4.05%	
Unrestricted investment earnings	8,189	8,557	91	2	8,280	8,559	-3.26%	
Other	74,398	73,069	111	-	74,509	73,069	1.97%	
Total revenues	15,810,820	15,525,089	686,461	675,129	16,497,281	16,200,218	1.83%	
Program expenses:								
Instruction	9,682,377	9,509,960	-	-	9,682,377	9,509,960	1.81%	
Support services	4,606,063	4,821,997	410	405	4,606,473	4,822,402	-4.48%	
Non-instructional programs	-	-	682,993	725,588	682,993	725,588	-5.87%	
Other expenses	2,186,951	1,497,643	-	-	2,186,951	1,497,643	46.03%	
Total expenses	16,475,391	15,829,600	683,403	725,993	17,158,794	16,555,593	3.64%	
Excess(Deficiency) of revenues over(under) expenses	(664,571)	(304,511)	3,058	(50,864)	(661,513)	(355,375)	86.15%	
Transfers	(25,135)	(3,442)	25,135	3,442	-	-	0.00%	
Change in net position	(689,706)	(307,953)	28,193	(47,422)	(661,513)	(355,375)	86.15%	
Net position beginning of year, as restated	11,201,003	17,578,884	(127,116)	82,976	11,073,887	17,661,860	-37.30%	
Net position end of year	\$ 10,511,297	17,270,931	(98,923)	35,554	10,412,374	17,306,485	-39.84%	

In year fiscal 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 85.97% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were approximately \$16.50 million, of which approximately \$15.81 million was for governmental activities and approximately \$0.69 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.83% increase in revenues and a 3.64% increase in expenses. Increased amounts received during the year in property tax and unrestricted state grants as compared to the previous year contributed to the increase in revenues. The increase in expenses is primarily related to increased expenditures in the other expenses function as compared to the previous year.

### Governmental Activities

Revenues for governmental activities were \$15,810,820 and expenses were \$16,475,391 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 9,682,377	9,509,960	1.81%	8,111,464	7,921,157	2.40%
Support services	4,606,063	4,821,997	-4.48%	4,606,063	4,710,511	-2.22%
Other expenses	2,186,951	1,497,643	46.03%	1,621,794	938,522	72.80%
Totals	\$ 16,475,391	15,829,600	4.08%	14,339,321	13,570,190	5.67%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$621,235.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,514,835.
- The net cost of governmental activities was financed with \$4,062,699 in property taxes, \$180,890 in income surtax, \$1,263,285 in statewide sales, services and use tax, \$8,085,289 in unrestricted state grants, \$8,189 of interest income and \$74,398 of other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$686,461 and expenses were \$683,403 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,782,816, below last year's ending combined fund balances of \$8,497,201.

### Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Revenues decreased by \$236,363 coupled with an increase in expenditures of \$265,594 as compared to the previous year

contributed to the decrease in General Fund ending balance. For the year, the General Fund balance decreased by \$955,638 resulting in an ending fund balance of \$2,760,705 at June 30, 2015.

- The Capital Projects Fund balance increased from \$2,701,226 at June 30, 2014 to \$2,743,403 at June 30, 2015. The increase in Capital Projects Fund balance is due to the increased balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated deficit net position of \$127,116 at July 1, 2014 to a deficit net position of \$98,823 at June 30, 2015, representing an increase of 22.18%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$368,338 less than budgeted revenues, a variance of 2.18%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area during fiscal year 2015.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested approximately \$18.62 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 decrease of 3.12% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$1,619,040.

The original cost of the District's capital assets was \$31,004,521. Governmental funds account for \$30,768,522 with the remainder of \$235,999 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$623,495 at June 30, 2014 compared to \$0 at June 30, 2015. The decrease is related to the completion of projects around the District that were then capitalized as part of the District's fixed asset listing.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 514,007	514,007	-	-	514,007	514,007	0.00%
Construction in progress	-	623,495	-	-	-	623,495	-100.00%
Land improvements	431,806	282,419	-	-	431,806	282,419	52.90%
Buildings and improvements	16,623,617	16,804,691	-	-	16,623,617	16,804,691	-1.08%
Machinery and equipment	985,356	944,054	66,877	53,284	1,052,233	997,338	5.50%
Total	\$ 18,554,786	19,168,666	66,877	53,284	18,621,663	19,221,950	-3.12%

## Long-Term Debt

At June 30, 2015, the District had \$15,038,436 in total long-term debt outstanding. This represents an increase of 44.72% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

At June 30, 2015, the District had total outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$9,640,000.

At June 30, 2015, the District had outstanding termination benefits payable from the Management Levy Fund of \$107,650.

At June 30, 2015, the District had a net pension liability of \$4,916,397. Of this \$4,788,079 was attributable to the governmental activities with the remaining \$128,318 attributable to the business activities of the District.

The District had total outstanding Net OPEB liability of \$374,389 at June 30, 2015. Of this \$362,184 was attributable to the governmental activities with the remaining \$12,205 attributable to the business activities of the District.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenue bonds	\$ 9,640,000	10,075,000	-	-	9,640,000	10,075,000	-4.32%
Termination benefits	107,650	-	-	-	107,650	-	100.00%
Net pension liability	4,788,079	-	128,318	-	4,916,397	-	100.00%
Net OPEB liability	362,184	305,844	12,205	10,306	374,389	316,150	18.42%
<b>Totals</b>	<b>\$ 14,897,913</b>	<b>10,380,844</b>	<b>140,523</b>	<b>10,306</b>	<b>15,038,436</b>	<b>10,391,150</b>	<b>44.72%</b>

## 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:

- Legislative topics are always a source of concern, as any changes can drastically effect the district's funding.
- Enrollment is always an important topic as the majority of our funding is based on it.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**CHARITON**  
COMMUNITY SCHOOLS

BASIC FINANCIAL STATEMENTS

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,784,182	38,377	8,822,559
Receivables:			
Property tax:			
Delinquent	50,779	-	50,779
Succeeding year	4,005,817	-	4,005,817
Income surtax	164,214	-	164,214
Accounts	4,137	-	4,137
Due from(to) other funds	35,000	(35,000)	-
Due from other governments	638,479	11,634	650,113
Inventories	-	3,633	3,633
Capital assets, net of accumulated depreciation	18,554,786	66,877	18,621,663
<b>TOTAL ASSETS</b>	<b>32,237,394</b>	<b>85,521</b>	<b>32,322,915</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,003,433	22,856	1,026,289
<b>LIABILITIES</b>			
Accounts payable	270,802	7,016	277,818
Salaries and benefits payable	1,458,959	995	1,459,954
Accrued interest payable	207,153	-	207,153
Unearned revenues	-	8,145	8,145
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	455,000	-	455,000
Termination benefits	107,650	-	107,650
Portion due after one year:			
Revenue bonds payable	9,185,000	-	9,185,000
Net pension liability	4,788,079	128,318	4,916,397
Net OPEB liability	362,184	12,205	374,389
<b>TOTAL LIABILITIES</b>	<b>16,834,827</b>	<b>156,679</b>	<b>16,991,506</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	4,005,817	-	4,005,817
Pension related deferred inflows	1,888,886	50,621	1,939,507
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,894,703</b>	<b>50,621</b>	<b>5,945,324</b>
<b>NET POSITION</b>			
Net investment in capital assets	8,914,786	66,877	8,981,663
Restricted for:			
Categorical funding	526,261	-	526,261
Debt service	1,155,314	-	1,155,314
Management levy purposes	623,094	-	623,094
Student activities	185,497	-	185,497
School infrastructure	1,126,055	-	1,126,055
Physical plant and equipment levy	1,617,348	-	1,617,348
Unrestricted	(3,637,058)	(165,800)	(3,802,858)
<b>TOTAL NET POSITION</b>	<b>\$ 10,511,297</b>	<b>(98,923)</b>	<b>10,412,374</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 5,693,991	201,485	273,503	(5,219,003)	-	(5,219,003)
Special	1,801,339	34,939	130,762	(1,635,638)	-	(1,635,638)
Other	2,187,047	384,811	545,413	(1,256,823)	-	(1,256,823)
	<u>9,682,377</u>	<u>621,235</u>	<u>949,678</u>	<u>(8,111,464)</u>	<u>-</u>	<u>(8,111,464)</u>
Support services:						
Student	247,142	-	-	(247,142)	-	(247,142)
Instructional staff	279,616	-	-	(279,616)	-	(279,616)
Administration	1,715,357	-	-	(1,715,357)	-	(1,715,357)
Operation and maintenance of plant	1,644,367	-	-	(1,644,367)	-	(1,644,367)
Transportation	719,581	-	-	(719,581)	-	(719,581)
	<u>4,606,063</u>	<u>-</u>	<u>-</u>	<u>(4,606,063)</u>	<u>-</u>	<u>(4,606,063)</u>
Long-term debt interest	422,334	-	-	(422,334)	-	(422,334)
Other expenditures:						
AEA flowthrough	565,157	-	565,157	-	-	-
Depreciation(unallocated)*	1,199,460	-	-	(1,199,460)	-	(1,199,460)
	<u>1,764,617</u>	<u>-</u>	<u>565,157</u>	<u>(1,199,460)</u>	<u>-</u>	<u>(1,199,460)</u>
Total governmental activities	<u>16,475,391</u>	<u>621,235</u>	<u>1,514,835</u>	<u>(14,339,321)</u>	<u>-</u>	<u>(14,339,321)</u>
Business type activities:						
Support services:						
Administration	410	-	-	-	(410)	(410)
Non-instructional programs:						
Food service operations	682,993	190,379	495,880	-	3,266	3,266
Total business type activities	<u>683,403</u>	<u>190,379</u>	<u>495,880</u>	<u>-</u>	<u>2,856</u>	<u>2,856</u>
Total	<u>\$ 17,158,794</u>	<u>811,614</u>	<u>2,010,715</u>	<u>(14,339,321)</u>	<u>2,856</u>	<u>(14,336,465)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 3,701,242	-	3,701,242
Capital outlay				361,457	-	361,457
Income surtax				180,890	-	180,890
Statewide sales, services and use tax				1,263,285	-	1,263,285
Unrestricted state grants				8,085,289	-	8,085,289
Unrestricted investment earnings				8,189	91	8,280
Other				74,398	111	74,509
Transfers				(25,135)	25,135	-
Total general revenues and transfers				<u>13,649,615</u>	<u>25,337</u>	<u>13,674,952</u>
Change in net position				(689,706)	28,193	(661,513)
Net position beginning of year, as restated				<u>11,201,003</u>	<u>(127,116)</u>	<u>11,073,887</u>
Net position end of year				<u>\$ 10,511,297</u>	<u>(98,923)</u>	<u>10,412,374</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,958,276	2,552,483	2,273,423	8,784,182
Receivables:				
Property tax:				
Delinquent	41,887	4,460	4,432	50,779
Succeeding year	3,240,195	415,621	350,001	4,005,817
Income surtax	54,738	109,476	-	164,214
Accounts	398	-	3,739	4,137
Due from other funds	39,740	-	-	39,740
Due from other governments	440,844	197,635	-	638,479
<b>TOTAL ASSETS</b>	<b>\$ 7,776,078</b>	<b>3,279,675</b>	<b>2,631,595</b>	<b>13,687,348</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	4,740	-	4,740
Accounts payable	261,481	6,435	2,886	270,802
Salaries and benefits payable	1,458,959	-	-	1,458,959
Total liabilities	1,720,440	11,175	2,886	1,734,501
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,240,195	415,621	350,001	4,005,817
Income surtax	54,738	109,476	-	164,214
Total deferred inflows of resources	3,294,933	525,097	350,001	4,170,031
Fund balances:				
Restricted for:				
Categorical funding	526,261	-	-	526,261
Debt service	-	-	1,362,467	1,362,467
Management levy purposes	-	-	730,744	730,744
Student activities	-	-	185,497	185,497
School infrastructure	-	1,126,055	-	1,126,055
Physical plant and equipment levy	-	1,617,348	-	1,617,348
Unassigned	2,234,444	-	-	2,234,444
Total fund balances	2,760,705	2,743,403	2,278,708	7,782,816
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,776,078</b>	<b>3,279,675</b>	<b>2,631,595</b>	<b>13,687,348</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>		\$ 7,782,816
 <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 the governmental funds.		18,554,786
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		164,214
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.		(207,153)
Pension related deferred outflows of resources and deferred inflows of resources are not due an payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,003,433	
Deferred inflows of resources	<u>(1,888,886)</u>	(885,453)
Long-term liabilities, including revenue bonds payable, termination benefits payable, net pension liability and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(14,897,913)</u>
<b>Net position of governmental activities(page 18)</b>		<u><u>\$ 10,511,297</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,455,991	469,588	353,382	4,278,961
Tuition	212,987	-	-	212,987
Other	231,052	3,908	398,600	633,560
State sources	8,870,499	1,263,285	-	10,133,784
Federal sources	586,900	-	-	586,900
Total revenues	<u>13,357,429</u>	<u>1,736,781</u>	<u>751,982</u>	<u>15,846,192</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,692,956	-	1,610	5,694,566
Special	1,877,221	-	-	1,877,221
Other	1,920,263	-	357,214	2,277,477
	<u>9,490,440</u>	<u>-</u>	<u>358,824</u>	<u>9,849,264</u>
Support services:				
Student	254,410	-	-	254,410
Instructional staff	287,207	-	-	287,207
Administration	1,719,292	48,980	-	1,768,272
Operation and maintenance of plant	1,488,629	32,965	198,237	1,719,831
Transportation	507,932	223,796	-	731,728
	<u>4,257,470</u>	<u>305,741</u>	<u>198,237</u>	<u>4,761,448</u>
Capital outlay	-	520,849	-	520,849
Long-term debt:				
Principal	-	-	435,000	435,000
Interest and fiscal charges	-	750	428,109	428,859
	<u>-</u>	<u>750</u>	<u>863,109</u>	<u>863,859</u>
Other expenditures:				
AEA flowthrough	565,157	-	-	565,157
Total expenditures	<u>14,313,067</u>	<u>827,340</u>	<u>1,420,170</u>	<u>16,560,577</u>
Excess(Deficiency)of revenues over(under)expenditures	(955,638)	909,441	(668,188)	(714,385)
Other financing sources(uses):				
Transfer in	-	-	867,264	867,264
Transfer out	-	(867,264)	-	(867,264)
Total other financing sources(uses)	<u>-</u>	<u>(867,264)</u>	<u>867,264</u>	<u>-</u>
Change in fund balances	(955,638)	42,177	199,076	(714,385)
Fund balance beginning of year	<u>3,716,343</u>	<u>2,701,226</u>	<u>2,079,632</u>	<u>8,497,201</u>
Fund balance end of year	<u>\$ 2,760,705</u>	<u>2,743,403</u>	<u>2,278,708</u>	<u>7,782,816</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds(page 22)** \$ (714,385)

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

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

Capital outlay	\$ 993,618	
Depreciation expense	<u>(1,607,498)</u>	(613,880)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 435,000

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. 6,525

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (35,372)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 740,087

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

Termination benefits	\$ (107,650)	
Pension expense	(343,691)	
Other postemployment benefits	<u>(56,340)</u>	<u>(507,681)</u>

**Change in net position of governmental activities(page 19)** \$ (689,706)

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 38,377
Due from other governments	11,634
Inventories	3,633
Total current assets	53,644
Noncurrent assets:	
Capital assets, net of accumulated depreciation	66,877
<b>TOTAL ASSETS</b>	<b>120,521</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	22,856
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	7,016
Due to other funds	35,000
Salaries and benefits payable	995
Unearned revenue	8,145
Total current liabilities	51,156
Noncurrent liabilities:	
Net pension liability	128,318
Net OPEB liability	12,205
Total noncurrent liabilities	140,523
<b>TOTAL LIABILITIES</b>	<b>191,679</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	50,621
<b>NET POSITION</b>	
Net investment in capital assets	66,877
Unrestricted	(165,800)
<b>TOTAL NET POSITION</b>	<b>\$ (98,923)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 190,379
Miscellaneous	111
Total operating revenues	190,490
Operating expenses:	
Support services:	
Administration:	
Supplies	410
Non-instructional programs:	
Salaries	183,394
Benefits	75,714
Services	1,476
Supplies	410,867
Depreciation	11,542
	682,993
Total operating expenses	683,403
Operating loss	(492,913)
Non-operating revenues:	
State sources	6,083
Federal sources	489,797
Interest income	91
Total non-operating revenues	495,971
Excess of revenues over expenses before other financing sources	3,058
Other financing sources:	
Capital contributions	25,135
Change in net position	28,193
Net position beginning of year, as restated	(127,116)
Net position end of year	\$ (98,923)

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 190,752
Cash received from miscellaneous	111
Cash payments to employees for services	(265,080)
Cash payments to suppliers for goods or services	(359,718)
Net cash used in operating activities	(433,935)
Cash flows from non-capital financing activities:	
Repayments to General Fund	(200,313)
State grants received	6,083
Federal grants received	445,167
Net cash provided by non-capital financing activities	250,937
Cash flows from investing activities:	
Interest on investments	91
Net decrease in cash and pooled investments	(182,907)
Cash and pooled investments at beginning of year	221,284
Cash and pooled investments at end of year	\$ 38,377
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (492,913)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	42,248
Depreciation	11,542
Decrease in inventories	3,771
Increase in accounts payable	7,016
Decrease in salaries and benefits payable	(1,284)
Increase in other postemployment benefits	1,899
Decrease in net pension liability	(53,259)
Increase in deferred outflows of resources	(3,949)
Increase in deferred inflows of resources	50,621
Increase in unearned revenue	373
Net cash used in operating activities	\$ (433,935)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received \$42,248 of federal commodities.

During the year ended June 30, 2015, the District received \$25,135 in contributed capital from the Capital Projects: Physical Plant and Equipment Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
<b>ASSETS</b>		
Cash and pooled investments	\$ 15,426	2,055
<b>LIABILITIES</b>		
Due to other groups	-	2,055
<b>NET POSITION</b>		
Held in trust for scholarships	\$ 15,426	-

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>16,950</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>14,368</u>
Change in net position	2,582
Net position beginning of year	<u>12,844</u>
Net position end of year	<u>\$ <u>15,426</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARITON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position 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 three categories:

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due From and Due to Other Funds - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015 balances of interfund accounts receivable or payable balance have been recorded.

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

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

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

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

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in the preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amount budgeted in the other expenditures function.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,441,732 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 35,000
	Capital Projects:	
General	Statewide Sales, Services, and Use Tax	4,740
Total		<u>\$ 39,740</u>

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

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services, and Use Tax	<u>\$ 867,264</u>

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

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue Bonds	\$ 10,075,000	-	435,000	9,640,000	455,000
Termination Benefits	-	107,650	-	107,650	107,650
Net Pension Liability	6,775,408	-	1,987,329	4,788,079	-
Net OPEB Liability	305,844	56,340	-	362,184	-
Total	\$ 17,156,252	163,990	2,422,329	14,897,913	562,650
<b>Business type activities:</b>					
Net Pension Liability	\$ 181,577	-	53,259	128,318	-
Net OPEB Liability	10,306	1,899	-	12,205	-
Total	\$ 191,883	1,899	53,259	140,523	-

### **Revenue Bonds Payable**

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated March 23, 2010			
	Interest Rates	Principal	Interest	Total
2016	4.00 %	\$ 455,000	414,305	869,305
2017	4.00	475,000	396,105	871,105
2018	4.00	495,000	377,105	872,105
2019	4.00	520,000	357,305	877,305
2020	4.00	545,000	336,505	881,505
2021-2025	4.00-4.35	3,135,000	1,331,525	4,466,525
2026-2030	4.38-4.75	4,015,000	579,566	4,594,566
Total		\$ 9,640,000	3,792,416	13,432,416

The District has pledged future statewide sales, services and use tax revenues to repay the \$11,330,000 of bonds issued in March 2010. The bonds were issued to finance the high school renovation project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 69% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$13,432,416. For the current year, \$435,000 of principal and 427,355 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,263,285.

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

- a) \$927,038 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) Monthly transfers will be made from the District's Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the paying agent.
- c) Payments to be made on the bonds will be transferred from the revenue account to the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Termination Benefits**

During the year ended June 30, 2015 the District offered a voluntary early retirement plan to its full-time licensed teachers. Eligible employees must have been at least age fifty-five or the sum of the total years of teaching and age equal eighty-eight and employees must have completed fifteen years of continuous service to the District. Employees must have completed an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible license employee will be based on the difference between the licensed employee's current salary, less supplemental pay, and the salary schedule base with the benefit not to exceed twenty thousand dollars.

The incentive will be paid in two equal payments on October 20, 2015 and on April 20, 2016. Health insurance may be continued at employee expense until the last day of the month prior to the retiree reaching age 65, subject to insurance carrier requirements.

At June 30, 2015, the District has obligations to five participants with a total liability of \$107,650.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 514,007	-	-	514,007
Construction in progress	623,495	53,017	676,512	-
Total capital assets not being depreciated	1,137,502	53,017	676,512	514,007
Capital assets being depreciated:				
Land improvements	1,370,877	178,891	-	1,549,768
Buildings and improvements	23,557,600	988,882	-	24,546,482
Machinery and equipment	3,715,125	449,340	6,200	4,158,265
Total capital assets being depreciated	28,643,602	1,617,113	6,200	30,254,515
Less accumulated depreciation for:				
Land improvements	1,088,458	29,504	-	1,117,962
Buildings and improvements	6,752,909	1,169,956	-	7,922,865
Machinery and equipment	2,771,071	408,038	6,200	3,172,909
Total accumulated depreciation	10,612,438	1,607,498	6,200	12,213,736
Total capital assets being depreciated, net	18,031,164	9,615	-	18,040,779
Governmental activities capital assets, net	\$ 19,168,666	62,632	676,512	18,554,786

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 210,864	25,135	0	235,999
Less accumulated depreciation	157,580	11,542	0	169,122
Business type activities capital assets, net	<u>\$ 53,284</u>	<u>13,593</u>	<u>0</u>	<u>66,877</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 19,243
Other	13,333

Support services:

Instructional staff	1,277
Administration	6,079
Operation and maintenance of plant	9,367
Transportation	358,739
	<u>408,038</u>

Unallocated depreciation	<u>1,199,460</u>
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Total governmental activities depreciation expense	<u>\$ 1,607,498</u>
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Business type activities:

Food service operations	<u>\$ 11,542</u>
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## (7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$755,885.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,916,397 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.121479 percent, which was a decrease of 0.001391 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$352,902. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,432	\$ -
Changes of assumptions	216,972	-
Net difference between projected and actual earnings on pension plan investments	-	1,874,972
Changes in proportion and differences between District contributions and proportionate share of contributions	-	64,535
District contributions subsequent to the measurement date	755,885	-
Total	<u>\$ 1,026,289</u>	<u>\$ 1,939,507</u>

\$755,885 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (420,643)
2017	(420,643)
2018	(420,643)
2019	(420,643)
2020	13,469
	<u>\$ (1,669,103)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,289,393	\$ 4,916,397	\$ 1,225,134

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$96,931 for legally required employer contributions and \$64,585 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	123,546
Interest on net OPEB obligation		14,227
Adjustment to annual required contribution		<u>(12,616)</u>
Annual OPEB cost		125,157
Contributions made		<u>(66,918)</u>
Increase in net OPEB obligation		58,239
Net OPEB obligation beginning of year		<u>316,150</u>
Net OPEB obligation end of year	\$	<u><u>374,389</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$66,918 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 124,392	32.74%	249,780
2014	124,818	46.83%	316,150
2015	125,157	53.47%	374,389

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,253,878, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of

\$1,253,878. The covered payroll (annual payroll of active employees covered by the plan) was \$7,726,840 and the ratio of the UAAL to covered payroll was 16.23%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate starts at 8.5% for the year ended June 30, 2015. The trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate in 2022.

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

Retiree premiums in the medical plan for the 2014-15 year were approximately \$485 monthly. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **(9) Risk Management**

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental and long-term disability. District contributions to ISEBA for the year ended June 30, 2015 were \$113,357.

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

#### **(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$565,157 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Property Tax and State Aid Financed Weighted Limited English Proficient	\$ 37,829
Gifted and Talented Programs	69,176
Returning Dropouts and Dropout Prevention Programs	4,873
Teacher Salary Supplement	78,468
Market Factor	6,992
Four-year-old Preschool State Aid	168,424
Successful Progression for Early Readers	32,761
Professional Development for Model Core Curriculum	84,286
Professional Development	43,452
Total	<u>\$ 526,261</u>

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed the certified budget amounts. During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the budgeted amount.

**(13) Deficit Unrestricted Net Position**

At June 30, 2015, the District had deficit unrestricted net position of \$165,800 and deficit total net position of \$98,923 in the Enterprise: School Nutrition Fund. The District also had deficit unrestricted net position of \$3,637,058 in the governmental activities at June 30, 2015.

**(14) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position are as follows:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	730,744	1,362,467	2,234,444
Capital assets, net of accumulated depreciation	18,554,786	-	-	-
Revenue bond capitalized indebtedness	(9,640,000)	-	-	-
Termination benefits	-	(107,650)	-	-
Accrued interest payable	-	-	(207,153)	-
Income surtax receivable	-	-	-	164,214
Pension related deferred outflows	-	-	-	1,003,433
Net pension liability	-	-	-	(4,788,079)
Pension related deferred inflows	-	-	-	(1,888,886)
Net OPEB liability	-	-	-	(362,184)
<b>Net position (Exhibit A)</b>	<u>\$ 8,914,786</u>	<u>623,094</u>	<u>1,155,314</u>	<u>(3,637,058)</u>

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 17,270,931	\$ 35,554
Net pension liability at June 30, 2014	(6,775,408)	(181,577)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>705,480</u>	<u>18,907</u>
Net position July 1, 2014, as restated	<u>\$ 11,201,003</u>	<u>\$ (127,116)</u>

**(16) Operating Lease**

During the year ended June 30, 2015 the District entered into a sixty month operating lease for copiers. The base payment is \$1,957 per month and the lease is in effect through the month of June 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,125,508	190,581	5,316,089	6,879,572	6,879,572	(1,563,483)
State sources	10,133,784	6,083	10,139,867	8,996,919	8,996,919	1,142,948
Federal sources	586,900	489,797	1,076,697	1,024,500	1,024,500	52,197
Total revenues	15,846,192	686,461	16,532,653	16,900,991	16,900,991	(368,338)
Expenditures/Expenses:						
Instruction	9,849,264	-	9,849,264	9,920,000	9,920,000	70,736
Support services	4,761,448	410	4,761,858	5,026,000	5,026,000	264,142
Non-instructional programs	-	682,993	682,993	740,000	740,000	57,007
Other expenditures	1,949,865	-	1,949,865	1,930,770	1,930,770	(19,095)
Total expenditures/expenses	16,560,577	683,403	17,243,980	17,616,770	17,616,770	372,790
Excess(Deficiency) of revenues over(under) expenditures/expenses	(714,385)	3,058	(711,327)	(715,779)	(715,779)	4,452
Other financing sources, net	-	25,135	25,135	-	-	25,135
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses	(714,385)	28,193	(686,192)	(715,779)	(715,779)	29,587
Balance beginning of year, as restated	8,497,201	(127,116)	8,370,085	8,639,806	8,639,806	(269,721)
Balance end of year	\$ 7,782,816	(98,923)	7,683,893	7,924,027	7,924,027	(240,134)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

CHARITON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.121480%
District's proportionate share of the net pension liability	\$ 4,916
District's covered-employee payroll	\$ 8,465
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.07%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**Note:** Only the current year fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

CHARITON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 756	724	690	642	555	560	504	443	395	372
Contributions in relation to the statutorily required contribution	(756)	(724)	(690)	(642)	(555)	(560)	(504)	(443)	(395)	(372)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,465	8,108	7,958	7,955	7,986	8,058	7,937	7,322	6,870	6,470
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 776,000	776,000	0.0%	\$ 7,852,210	9.88%
2011	July 1, 2009	0	776,000	776,000	0.0%	7,514,243	10.33%
2012	July 1, 2009	0	776,000	776,000	0.0%	7,951,834	9.76%
2013	July 1, 2012	0	1,253,878	1,253,878	0.0%	6,309,281	19.87%
2014	July 1, 2012	0	1,253,878	1,253,878	0.0%	6,952,546	18.03%
2015	July 1, 2012	0	1,253,878	1,253,878	0.0%	7,726,840	16.23%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CHARITON**  
COMMUNITY SCHOOLS

SUPPLEMENTARY INFORMATION

CHARITON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 726,312	184,644	910,956	1,362,467	2,273,423
Receivables:					
Property tax:					
Delinquent	4,432	-	4,432	-	4,432
Succeeding year	350,001	-	350,001	-	350,001
Accounts	-	3,739	3,739	-	3,739
<b>TOTAL ASSETS</b>	<b>\$ 1,080,745</b>	<b>188,383</b>	<b>1,269,128</b>	<b>1,362,467</b>	<b>2,631,595</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	-	2,886	2,886	-	2,886
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	350,001	-	350,001	-	350,001
Fund balances:					
Restricted for:					
Debt service	-	-	-	1,362,467	1,362,467
Management levy purposes	730,744	-	730,744	-	730,744
Student activities	-	185,497	185,497	-	185,497
Total fund balances	730,744	185,497	916,241	1,362,467	2,278,708
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,080,745</b>	<b>188,383</b>	<b>1,269,128</b>	<b>1,362,467</b>	<b>2,631,595</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 353,382	-	353,382	-	353,382
Other	13,721	384,811	398,532	68	398,600
Total revenues	367,103	384,811	751,914	68	751,982
Expenditures:					
Current:					
Instruction:					
Regular	1,610	-	1,610	-	1,610
Other	-	357,214	357,214	-	357,214
Support services:					
Operation and maintenance of plant	198,237	-	198,237	-	198,237
Long-term debt:					
Principal	-	-	-	435,000	435,000
Interest and fiscal charges	-	-	-	428,109	428,109
Total expenditures	199,847	357,214	557,061	863,109	1,420,170
Excess(Deficiency) of revenues over(under) expenditures	167,256	27,597	194,853	(863,041)	(668,188)
Other financing sources:					
Transfer in	-	-	-	867,264	867,264
Change in fund balances	167,256	27,597	194,853	4,223	199,076
Fund balances beginning of year	563,488	157,900	721,388	1,358,244	2,079,632
Fund balances end of year	\$ 730,744	185,497	916,241	1,362,467	2,278,708

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Account	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 815,237	117,923	1,619,323	2,552,483
Receivables:				
Property tax:				
Delinquent	-	-	4,460	4,460
Succeeding year	-	-	415,621	415,621
Income surtax	-	-	109,476	109,476
Due from other governments	197,635	-	-	197,635
<b>TOTAL ASSETS</b>	<b>\$ 1,012,872</b>	<b>117,923</b>	<b>2,148,880</b>	<b>3,279,675</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 4,740	-	-	4,740
Accounts payable	-	-	6,435	6,435
Total liabilities	4,740	-	6,435	11,175
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	415,621	415,621
Income surtax	-	-	109,476	109,476
Total deferred inflows of resources	-	-	525,097	525,097
Fund balances:				
Restricted for:				
School infrastructure	1,008,132	117,923	-	1,126,055
Physical plant and equipment	-	-	1,617,348	1,617,348
Total fund balances	1,008,132	117,923	1,617,348	2,743,403
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,012,872</b>	<b>117,923</b>	<b>2,148,880</b>	<b>3,279,675</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Account	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	469,588	469,588
Other	1,089	2,197	622	3,908
State sources	1,263,285	-	-	1,263,285
Total revenues	<u>1,264,374</u>	<u>2,197</u>	<u>470,210</u>	<u>1,736,781</u>
Expenditures:				
Current:				
Support services:				
Administration	42,545	-	6,435	48,980
Operation and maintenance of plant	-	-	32,965	32,965
Transportation	-	-	223,796	223,796
Capital outlay	83,554	181,634	255,661	520,849
Long-term debt:				
Interest and fiscal charges	750	-	-	750
Total expenditures	<u>126,849</u>	<u>181,634</u>	<u>518,857</u>	<u>827,340</u>
Excess(Deficiency) of revenues over(under) expenditures	1,137,525	(179,437)	(48,647)	909,441
Other financing uses:				
Transfer out	(867,264)	-	-	(867,264)
Change in fund balances	270,261	(179,437)	(48,647)	42,177
Fund balances beginning of year	<u>737,871</u>	<u>297,360</u>	<u>1,665,995</u>	<u>2,701,226</u>
Fund balances end of year	<u>\$ 1,008,132</u>	<u>117,923</u>	<u>1,617,348</u>	<u>2,743,403</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thespians	\$ 3,130	866	459	3,537
Speech	-	300	34	266
Vocal Music	422	2,802	2,250	974
Band	70	2,494	1,380	1,184
Middle School Band	306	99	-	405
Flag Team	8	-	-	8
Co-Ed Athletics	11,604	89,274	83,157	17,721
Cross Country	1,149	300	720	729
Golf	-	1,075	1,075	-
Boys Basketball	2,574	9,690	8,118	4,146
Football	10,885	25,507	23,115	13,277
Boys Soccer	401	395	535	261
Baseball	2,243	22,516	16,843	7,916
Boys Track	272	1,305	1,009	568
Boys Tennis	44	-	-	44
Wrestling	1,101	350	1,421	30
Weight Room	769	1,356	874	1,251
Girls Basketball	526	1,354	1,768	112
Volleyball	5,746	13,211	13,264	5,693
Girls Soccer	75	164	239	-
Softball	57	14,382	12,779	1,660
Girls Track	583	260	280	563
Girls Tennis	-	624	512	112
Class of 2012	2,160	-	2,160	-
Class of 2013	186	-	186	-
Class of 2014	382	-	382	-
Class of 2015	2,309	1,069	2,733	645
Class of 2016	334	11,998	10,479	1,853
Class of 2017	-	250	195	55
Class of 2018	-	250	119	131
Class of 2019	-	39	-	39
General Activities	1,117	6,829	5,838	2,108
Concessions	38,308	51,807	50,949	39,166
Student Council	6,509	6,207	5,813	6,903
Life	5	-	-	5
Spanish Club	2,617	7,066	7,395	2,288

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Art Service	-	79	79	-
C Club	646	-	102	544
FFA	1,383	4,637	4,532	1,488
FBLA	2,119	5,861	5,676	2,304
SES Club	3,600	9,998	10,008	3,590
On Other Hand	1,187	611	939	859
Yearbook	2,281	4,306	5,615	972
Cap & Gown	160	2,375	2,535	-
Cheerleaders	1,525	8,132	7,681	1,976
Musical	9,506	5,590	6,613	8,483
Woods Club	235	-	171	64
Construction Club	216	-	-	216
Donations	1,400	-	-	1,400
Academiathon	1,693	740	430	2,003
National Honor	-	1,789	1,238	551
MS Student Council	7,056	4,719	4,113	7,662
6th Grade	312	-	-	312
7th Grade	101	-	-	101
8th Grade	367	2,518	2,536	349
MS BLD Initiative	8,550	14,841	12,389	11,002
MS Yearbook Club	755	1,587	761	1,581
Columbus	15,257	25,951	21,857	19,351
Van Allen Elementary	3,659	17,238	13,858	7,039
Total	\$ 157,900	384,811	357,214	185,497

CHARITON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2015

	Shelton Law Scholarship	Alexander Scholarship	Orva Hibbs Scholarship	Chariton High School Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	FCCLA/FEA Scholarship Award	Total
<b>ASSETS</b>								
Cash and pooled investments	\$ 1,000	4,825	4,000	2,918	500	183	2,000	15,426
<b>LIABILITIES</b>	-	-	-	-	-	-	-	-
<b>NET POSITION</b>								
Held in trust for scholarships	\$ 1,000	4,825	4,000	2,918	500	183	2,000	15,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Shelton Law Scholarship	Alexander Scholarship	Orva Hibbs Scholarship	Chariton High School Scholarship	Jessica Luedtke Scholarship	Kandalynn Hall Scholarship	FFCCLA/FEA Scholarship Award	Total
Additions:								
Local sources:								
Gifts and contributions	\$ 1,000	4,800	4,000	4,550	600	-	2,000	16,950
Deductions:								
Instruction:								
Other:								
Scholarships awarded	1,000	4,800	3,000	2,068	1,000	-	2,500	14,368
Change in net position	-	-	1,000	2,482	(400)	-	(500)	2,582
Net position beginning of year	1,000	4,825	3,000	436	900	183	2,500	12,844
Net position end of year	\$ 1,000	4,825	4,000	2,918	500	183	2,000	15,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ -	10,776	8,721	2,055
<b>LIABILITIES</b>				
Due to other groups	\$ -	10,776	8,721	2,055

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CHARITON 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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 4,278,961	4,751,399	6,090,958	5,815,013	5,379,613	4,906,906	4,870,468	3,860,136	3,764,441	3,817,118
Tuition	212,987	239,843	327,540	346,588	353,197	337,392	275,381	724,286	611,828	640,590
Other	633,560	623,460	831,486	578,101	626,229	587,377	693,325	855,906	1,139,864	734,742
State sources	10,133,784	9,960,200	8,571,038	8,868,357	8,921,940	7,845,734	9,289,373	7,970,772	7,233,874	7,153,722
Federal sources	586,900	483,123	524,746	782,120	953,564	1,391,949	635,213	486,006	479,671	607,800
<b>Total</b>	<b>\$ 15,846,192</b>	<b>16,058,025</b>	<b>16,345,768</b>	<b>16,390,179</b>	<b>16,234,543</b>	<b>15,069,358</b>	<b>15,763,760</b>	<b>13,897,106</b>	<b>13,229,678</b>	<b>12,953,972</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 5,694,566	5,533,714	5,403,799	5,600,317	5,619,701	5,523,400	5,473,329	5,169,470	4,869,185	6,598,945
Special	1,877,221	1,959,611	2,029,859	1,919,070	2,027,491	2,070,714	1,904,943	1,706,515	1,498,964	672,165
Other	2,277,477	2,141,456	1,912,366	1,947,711	1,922,784	2,139,767	1,878,460	1,598,635	1,504,483	467,251
<b>Support services:</b>										
Student	254,410	233,881	184,853	185,689	175,644	151,018	138,676	228,310	246,285	237,994
Instructional staff	287,207	772,944	406,485	479,691	421,865	331,201	635,040	224,337	357,547	371,622
Administration	1,768,272	1,590,124	1,465,318	1,364,215	1,371,830	1,781,397	1,481,251	1,358,571	1,272,613	1,166,859
Operation and maintenance of plant	1,719,831	1,425,049	1,389,449	1,269,936	1,236,423	1,239,050	1,343,654	1,175,950	1,283,347	1,257,820
Transportation	731,728	754,049	785,847	914,477	704,419	697,197	741,812	643,887	566,057	443,514
Non-instructional programs	-	-	-	-	2,984	2,693	4,364	9,191	4,477	4,593
Capital outlay	520,849	1,342,665	393,272	2,580,417	7,515,500	414,977	48,455	95,714	43,207	8,146
<b>Long-term debt:</b>										
Principal	435,000	435,000	305,000	290,000	225,000	660,000	315,000	300,000	280,000	265,000
Interest and fiscal charges	428,859	441,905	449,555	458,254	360,837	31,197	46,737	60,237	72,837	84,779
<b>Other expenditures:</b>										
AEA flow-through	565,157	559,121	543,191	546,816	606,617	603,840	561,531	479,075	450,033	434,917
<b>Total</b>	<b>\$ 16,560,577</b>	<b>17,189,519</b>	<b>15,268,994</b>	<b>17,556,593</b>	<b>22,191,095</b>	<b>15,646,451</b>	<b>14,573,252</b>	<b>13,049,892</b>	<b>12,449,035</b>	<b>12,013,605</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARITON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	93,731
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	371,122 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	11,634
			<u>476,487</u>
 FRESH FRUIT AND VEGETABLE PROGRAM	 10.582	 FY 15	 <u>13,310</u>
 U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1107-GC	45,501
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1107-G	268,981
			<u>314,482</u>
 CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	 84.048	 FY 15	 <u>29,858</u>
RURAL EDUCATION	84.358	FY 14	19,758
RURAL EDUCATION	84.358	FY 15	25,521
			<u>45,279</u>
 IMPROVING TEACHER QUALITY STATE GRANTS	 84.367	 FY 15	 <u>61,634</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 14	2,930
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	6,635
			<u>9,565</u>
 GREAT PRAIRIE AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	66,126
 ENGLISH LANGUAGE ACQUISITION STATE GRANTS	 84.365	 FY 15	 <u>544</u>
 TOTAL			 <u>\$ 1,017,285</u>

\* -Includes \$42,248 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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117 West 3<sup>rd</sup> Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Chariton Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Chariton 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 Chariton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chariton Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

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.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Chariton Community School District's Responses to the Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2016  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**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  
Chariton Community School District:

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Chariton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Chariton Community School District's major federal programs for the year ended June 30, 2015. Chariton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Chariton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2016  
Newton, Iowa

CHARITON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

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

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

CHARITON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

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

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

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

Conclusion - Response accepted.

CHARITON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2015  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2015  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal control is the segregation of (2015-001) duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

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

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

Response and Corrective Action Planned - We continue to review procedures to obtain maximum internal control.

Conclusion - Response accepted.

CHARITON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will continue to monitor the budget and amend in accordance with Iowa Code in the future.

Conclusion - Response accepted.

IV-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dave Rich, Board Member Owner of True Value	Supplies	\$ 7,162

In accordance with Iowa Code Section 279.7A, the above transactions with the Board Member Dave Rich for supplies does appear to represent a conflict of interest, as the District went over \$2,500 as limited by Chapter 279.7A of the Code of Iowa and the District did not receive bids for the supplies purchased.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods or services of the school district where the board member would derive a benefit of over \$2,500.

In the future, the board of directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire board of directors. Board members that have an affiliation with businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the district board minutes to avoid the appearance of a conflict of interest. We recommend the District contact its legal counsel regarding these issues.

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

Conclusion - Response accepted.

- IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning Balance		\$	737,871
Revenues:			
Sales Tax Revenues	\$	1,263,285	
Other Local Revenues		1,089	1,264,374
			<u>2,002,245</u>
Expenditures/transfer out:			
School infrastructure construction		83,554	
Other		43,295	
Transfers to Other Funds:			
Debt Service Fund		867,264	994,113
			<u>994,113</u>
Ending balance		\$	<u>1,008,132</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-15 Interfund Loans - We noted during our audit that the District has interfund loans that were on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2015, the District has a loan between the General Fund and Nutrition Fund that has not been repaid and a loan between the Capital Projects: Statewide Service and Sales Tax Fund and the General Fund that has not been repaid.

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

Recommendation - The District should repay the interfund loans if sufficient cash is available or evaluate alternatives and develop a plan to be in compliance with the Iowa Department of Education declaratory order dated April 11, 2008.

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

Conclusion - Response acknowledged. The District should develop a plan to be in compliance with the Iowa Department of Education declaratory order dated April 11, 2008.