

CHARLES CITY 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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## Charles City Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Education</u></b>		
Scott Dight	President	2017
Jason Walker	Vice President (Appointed July 7, 2014)	2015
James Frisbie	Board Member	2017
Lorraine Winterink	Board Member	2015
Robin Macomber	Board Member	2015
<b><u>School Officials</u></b>		
Dr. Dan Cox	Superintendent	2015
Terri O' Brien	District Treasurer/Secretary/ Business Manager	2015
Ahlers Law Firm	Attorney	2015

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

**INDEPENDENT AUDITORS REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Charles City Community School District, Charles City, Iowa, as of and for the year ended June 30, 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, business type activities, each major fund, and the aggregate remaining fund information of the Charles City Community School District at 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 16 to the financial statements, Charles City 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, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 50 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charles City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 and the three years ended June 30, 2009 to June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 and the three years ended June 30, 2006 to June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2015, on our consideration of the Charles City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Charles City Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2015  
Newton, Iowa

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

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

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$16,156,678 in fiscal year 2014 to \$16,661,285 in fiscal year 2015, while General Fund expenditures increased from \$16,362,123 in fiscal year 2014 to \$16,692,224 in fiscal year 2015. However, the increase in revenues was not enough to offset the increase in expenditures causing the District's General Fund balance to decrease from \$2,212,243 at June 30, 2014 to \$2,181,304 at June 30, 2015, a 1.40% decrease.
- The increase in General Fund revenues was attributable to an increase in local tax and federal sources. The increase in expenditures was primarily due to an increase in negotiated salaries and benefits.
- At June 30, 2015 the District's solvency ratio was 8.43% as compared to 9.73% at June 30, 2014.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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 detail of various programs benefiting the District.

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

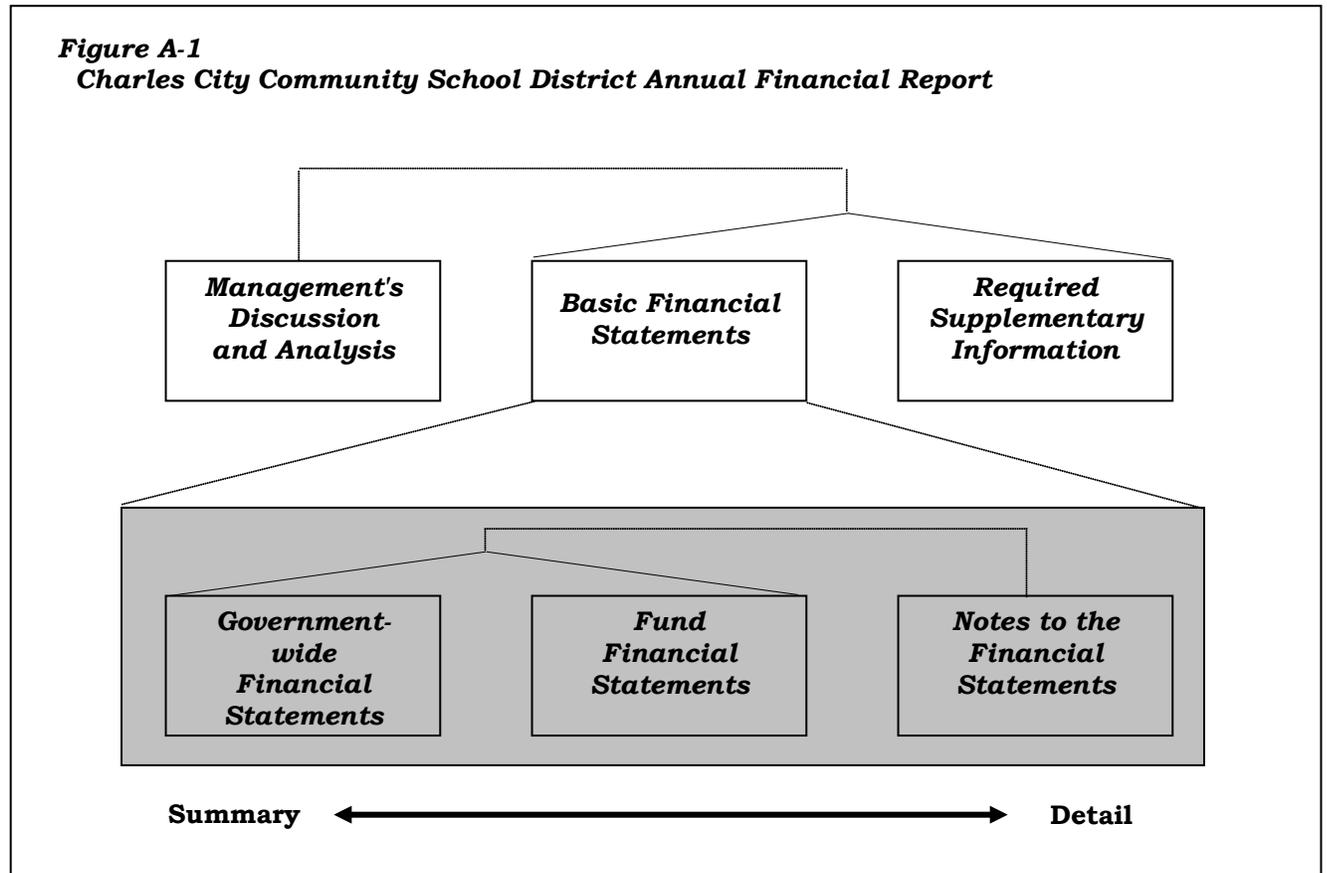


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service.	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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance 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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's Net Position and how they have changed. Net Position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's Net Position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has two internal service funds, the Flex Spending Fund is used to account for the District's employee flexible benefit plan and the Medical Insurance Fund is used to account for the District's self-funded medical plan.

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 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,	June 30,
	2015	2014	2015	2014	2015	2014	2014-15
	(Not Restated)		(Not Restated)		(Not Restated)		
Current and other assets	\$ 28,383,103	27,772,515	230,831	250,081	28,613,934	28,022,596	2.11%
Capital assets	7,006,577	5,913,513	79,523	75,311	7,086,100	5,988,824	18.32%
Total assets	35,389,680	33,686,028	310,354	325,392	35,700,034	34,011,420	4.96%
Deferred outflows of resources	1,255,045	-	38,693	-	1,293,738	-	100.00%
Long-term liabilities	16,222,104	10,671,433	208,299	11,968	16,430,403	10,683,401	53.79%
Other liabilities	2,695,802	2,306,842	76,291	73,259	2,772,093	2,380,101	16.47%
Total liabilities	18,917,906	12,978,275	284,590	85,227	19,202,496	13,063,502	46.99%
Deferred inflows of resources	9,279,761	6,553,703	74,182	-	9,353,943	6,553,703	42.73%
Net position:							
Net investment in capital assets	5,348,625	4,822,453	79,523	75,311	5,428,148	4,897,764	10.83%
Restricted	7,644,169	6,553,710	-	-	7,644,169	6,553,710	16.64%
Unrestricted	(4,545,736)	2,777,887	(89,248)	164,854	(4,634,984)	2,942,741	-257.51%
Total net position	\$ 8,447,058	14,154,050	(9,725)	240,165	8,437,333	14,394,215	-41.38%

The District's combined net position decreased by 41.38%, or \$5,956,882, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,090,459 or 16.64% from the prior year. The increase in restricted fund balance is due the increase in fund balance of the Capital Projects: Statewide Sales, Service and Use Tax Fund from the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$7,577,725 or 257.51%. This decrease in unrestricted net position was primarily the 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 \$7,749,361 and \$241,318, 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, 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 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	\$ 650,406	791,216	333,510	343,795	983,916	1,135,011	-13.31%
Operating grants, contributions and restricted interest	1,651,254	1,782,840	592,468	588,513	2,243,722	2,371,353	-5.38%
Capital grants, contributions and restricted interest	-	274,280	-	-	-	274,280	-100.00%
General revenues:							
Property tax	6,497,815	5,925,763	-	-	6,497,815	5,925,763	9.65%
Income surtax	588,147	591,520	-	-	588,147	591,520	-0.57%
Statewide sales, services and use tax	1,500,880	1,387,166	-	-	1,500,880	1,387,166	8.20%
Unrestricted state grants	8,836,667	8,499,850	-	-	8,836,667	8,499,850	3.96%
Unrestricted interest income	80,083	76,851	976	845	81,059	77,696	4.33%
Other	173,138	167,728	3,540	1,655	176,678	169,383	4.31%
Total revenues	19,978,390	19,497,214	930,494	934,808	20,908,884	20,432,022	2.33%
Program expenses:							
Instruction	11,299,149	11,743,618	-	-	11,299,149	11,743,618	-3.78%
Support services	5,475,543	5,159,018	11,134	47,969	5,486,677	5,206,987	5.37%
Non-instructional programs	10,067	9,545	884,747	850,359	894,814	859,904	4.06%
Other expenses	1,194,447	1,170,593	-	-	1,194,447	1,170,593	2.04%
Total expenses	17,979,206	18,082,774	895,881	898,328	18,875,087	18,981,102	-0.56%
Excess of revenues over expenditures	1,999,184	1,414,440	34,613	36,480	2,033,797	1,450,920	40.17%
Transfers	43,185	-	(43,185)	-	-	-	0.00%
Change in net position	2,042,369	1,414,440	(8,572)	36,480	2,033,797	1,450,920	40.17%
Net position beginning of year, as restated	6,404,689	12,739,610	(1,153)	203,685	6,403,536	12,943,295	-50.53%
Net position end of year	\$ 8,447,058	14,154,050	(9,725)	240,165	8,437,333	14,394,215	-41.38%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 87.21% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.51% of the revenue from business type activities. The District's total revenues were approximately \$20.91 million of which approximately \$19.98 million was for governmental activities and approximately \$0.93 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.33% increase in revenues and a 0.56% decrease in expenses. The primary reason for this increase in revenues was an increase in property tax revenues by \$572,052 over the prior year. The decrease in expenses is related to the decrease expenses in the instruction functional area.

### Governmental Activities

Revenues for governmental activities were \$20,021,575 and expenses were \$17,979,206 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, non-instructional programs 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	\$ 11,299,149	11,743,618	-3.78%	9,784,045	9,914,769	-1.32%
Support services	5,475,543	5,159,018	6.14%	5,385,504	4,808,685	12.00%
Non-instructional programs	10,067	9,545	5.47%	10,067	9,545	5.47%
Other expenses	1,194,447	1,170,593	2.04%	497,930	501,439	-0.70%
Totals	\$ 17,979,206	18,082,774	-0.57%	15,677,546	15,234,438	2.91%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$650,406.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling 1,651,254.
- The net cost of governmental activities was financed with \$6,497,815 in property tax, \$588,147 in income surtax, \$1,500,880 in statewide sales, services and use tax, \$8,836,667 in unrestricted state grants, \$80,083 in interest income, \$173,138 in other general revenues, and transfers from District business type activities of \$43,185.

### Business-Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$930,494, a 0.46% decrease from the prior year, and expenses were \$939,066, a 4.53% increase over the prior year. 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, investment and other income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$17,285,102, which is less than last year's ending fund balances of \$17,593,331. The

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decrease in combined fund balances is mainly attributable to the decrease in fund balance of the Capital Projects accounts from the prior year due to continued costs of District construction projects.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$2,212,243 at June 30, 2014 to \$2,181,304 at June 30, 2015. Revenues increased from the prior year primarily due to increased property tax revenues; however, this increase in revenue was not enough to offset the increase in expenses from negotiated salaries and benefits. Expenses still outpaced revenues for the year ensuring a decrease in ending fund balance.
- The Capital Projects accounts balance decreased from \$14,207,725 at June 30, 2014 to \$13,937,223 at June 30, 2015. The decrease in Capital Projects accounts balance is primarily due to continued capital outlay expenditures on District construction projects.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from a surplus \$240,165 net position at June 30, 2014 to a deficit 9,725 at June 30, 2015, representing a decrease of 104.05%. Implementation of GASB 68 was the main cause of the change. See Note 16, Accounting Change/Restatement, which decreased the restated July 1, 2014 net position by \$241,318. If the 2015 financials were restated to exclude the implementation of GASB 68 the fund net position would have been a surplus \$217,563, or a 9.4% decrease from the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Charles City Community School District amended its budget one time to reflect additional expenditures in the support services functional area.

The District's revenues were \$74,062 less than budgeted revenues, a variance of less than one percent. The most significant dollar variance resulted from the District receiving less in local sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$7.09 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 18.32% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$441,206.

The original cost of the District's capital assets was \$16.87 million. Governmental funds account for \$16.32 million with the remainder of \$0.55 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,337,941 at June 30, 2015, compared to \$209,381 at June 30, 2014. This increase resulted from continued costs incurred on the District's middle school addition project. This project will be capitalized as part of the District's capital asset listing upon completion.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 316,000	316,000	-	-	316,000	316,000	0.00%
Construction in progress	1,337,941	209,381	-	-	1,337,941	209,381	539.00%
Buildings	4,442,794	4,692,547	-	-	4,442,794	4,692,547	-5.32%
Machinery and equipment	909,842	695,585	79,523	75,311	989,365	770,896	28.34%
Total	\$ 7,006,577	5,913,513	79,523	75,311	7,086,100	5,988,824	18.32%

### Long-Term Debt

At June 30, 2015, the District had \$16,430,403 in other long-term debt outstanding. This represents an increase of 53.79% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding revenue bonds of \$9,465,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding compensated absences payable from the General Fund of \$50,148 at June 30, 2015.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$80,424 at June 30, 2015.

The District had outstanding Net Pension liability at June 30, 2015 of \$6,350,982. Governmental activities account for \$6,159,183 of this total while business type activities account for \$191,799.

The District had outstanding Net OPEB liability at June 30, 2015 of \$483,849. Governmental activities accounted for \$467,349 of this total while business type activities accounted for \$16,500.

Figure A-7  
Outstanding Long-Term Obligations

	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
	(Not Restated)		(Not Restated)		(Not Restated)		
Revenue Bonds	\$ 9,465,000	10,000,000	-	-	9,465,000	10,000,000	-5.35%
Compensated Absences	50,148	41,374	-	-	50,148	41,374	21.21%
Termination benefits	80,424	291,070	-	-	80,424	291,070	-72.37%
Net pension liability	6,159,183	-	191,799	-	6,350,982	-	100.00%
Net OPEB Liability	467,349	338,989	16,500	11,968	483,849	350,957	37.87%
Totals	\$ 16,222,104	10,671,433	208,299	11,968	16,430,403	10,683,401	53.79%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District's October 2015 enrollment decreased 10.77 students. This decrease in enrollment will negatively impact the District's funding for fiscal year 2016-17. The District is planning to make budget reductions for fiscal year 2017.
- The District's Board of Education is committed to completing a multi-million dollar construction project. A middle school addition to the high school is in the construction phase and is expected to be completed by August of 2016. By creating one secondary campus, the District plans to reduce expenses and improve student achievement through a 21<sup>st</sup> Century learning environment. The District plans to reduce expenses by sharing some middle school and high school staff, among other economic efficiencies of a single secondary campus.
- The District has created a team to look at how the current middle school can serve the Charles City community since it no longer will be needed as a school facility. The District hopes to sell the building to an outside entity that will repurpose the building to serve the community in another capacity. In May of 2015 the District, along with the City of Charles City, Floyd County, and the Charles City YMCA, contracted with FEH Design to conduct a study for possible joint facility opportunities. The study concluded in October 2015.
- In October of 2015, the District issued an additional \$7.9 million dollars of debt. That amount, along with the \$10 million dollars issued in July 2013, will complete the debt financing needed for the new middle school construction.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

*Charles City Community School District*

# **Basic Financial Statements**

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 20,295,097	212,854	20,507,951
Receivables:			
Property tax:			
Delinquent	88,262	-	88,262
Succeeding year	6,897,590	-	6,897,590
Income surtax	530,702	-	530,702
Accounts	3,437	520	3,957
Due from other funds	6,195	(6,195)	-
Due from other governments	561,820	5,406	567,226
Inventories	-	18,246	18,246
Capital assets , net of accumulated depreciation	7,006,577	79,523	7,086,100
<b>TOTAL ASSETS</b>	<b>35,389,680</b>	<b>310,354</b>	<b>35,700,034</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,255,045	38,693	1,293,738
<b>LIABILITIES</b>			
Accounts payable	446,749	92	446,841
Salaries and benefits payable	1,884,714	62,766	1,947,480
Incurred but not reported claims	240,250	-	240,250
Accrued interest payable	124,089	-	124,089
Unearned revenue	-	13,433	13,433
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	535,000	-	535,000
Termination benefits payable	78,000	-	78,000
Compensated absences payable	50,148	-	50,148
Portion due after one year:			
Revenue bonds payable	8,930,000	-	8,930,000
Termination benefits payable	2,424	-	2,424
Net pension liability	6,159,183	191,799	6,350,982
Net OPEB liability	467,349	16,500	483,849
<b>TOTAL LIABILITIES</b>	<b>18,917,906</b>	<b>284,590</b>	<b>19,202,496</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	6,897,590	-	6,897,590
Pension related deferred inflows	2,382,171	74,182	2,456,353
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,279,761</b>	<b>74,182</b>	<b>9,353,943</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,348,625	79,523	5,428,148
Restricted for:			
Categorical funding	551,932	-	551,932
Debt service	1,326,263	-	1,326,263
School infrastructure	2,877,926	-	2,877,926
Physical plant and equipment	2,464,771	-	2,464,771
Management levy purposes	201,101	-	201,101
Student activities	222,176	-	222,176
Unrestricted	(4,545,736)	(89,248)	(4,634,984)
<b>TOTAL NET POSITION</b>	<b>\$ 8,447,058</b>	<b>(9,725)</b>	<b>8,437,333</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted	Governmental Activities	Business Type Activities	Total
			Interest			
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 6,394,786	226,915	160,588	(6,007,283)	-	(6,007,283)
Special	2,547,239	97,277	198,656	(2,251,306)	-	(2,251,306)
Other	2,357,124	283,426	548,242	(1,525,456)	-	(1,525,456)
	<u>11,299,149</u>	<u>607,618</u>	<u>907,486</u>	<u>(9,784,045)</u>	<u>-</u>	<u>(9,784,045)</u>
Support services:						
Student	602,344	-	-	(602,344)	-	(602,344)
Instructional staff	834,575	-	40	(834,535)	-	(834,535)
Administration	1,770,787	-	-	(1,770,787)	-	(1,770,787)
Operation and maintenance of plant	1,710,428	35,975	-	(1,674,453)	-	(1,674,453)
Transportation	557,409	6,813	47,211	(503,385)	-	(503,385)
	<u>5,475,543</u>	<u>42,788</u>	<u>47,251</u>	<u>(5,385,504)</u>	<u>-</u>	<u>(5,385,504)</u>
Non-instructional programs:						
Food service operations	10,067	-	-	(10,067)	-	(10,067)
	<u>248,177</u>	<u>-</u>	<u>-</u>	<u>(248,177)</u>	<u>-</u>	<u>(248,177)</u>
Other expenditures:						
AEA flowthrough	696,517	-	696,517	-	-	-
Depreciation(unallocated)*	249,753	-	-	(249,753)	-	(249,753)
	<u>946,270</u>	<u>-</u>	<u>696,517</u>	<u>(249,753)</u>	<u>-</u>	<u>(249,753)</u>
Total governmental activities	<u>17,979,206</u>	<u>650,406</u>	<u>1,651,254</u>	<u>(15,677,546)</u>	<u>-</u>	<u>(15,677,546)</u>
Business type activities:						
Support services:						
Administration	2,220	-	-	-	(2,220)	(2,220)
Operation and maintenance of plant	8,914	-	-	-	(8,914)	(8,914)
Non-instructional programs:						
Food service operations	884,747	333,510	592,468	-	41,231	41,231
Total business type activities	<u>895,881</u>	<u>333,510</u>	<u>592,468</u>	<u>-</u>	<u>30,097</u>	<u>30,097</u>
Total	<u>\$ 18,875,087</u>	<u>983,916</u>	<u>2,243,722</u>	<u>(15,677,546)</u>	<u>30,097</u>	<u>(15,647,449)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 5,600,898	-	5,600,898
Capital outlay				896,917	-	896,917
Income surtax				588,147	-	588,147
Statewide sales, services and use tax				1,500,880	-	1,500,880
Unrestricted state grants				8,836,667	-	8,836,667
Unrestricted investment earnings				80,083	976	81,059
Other				173,138	3,540	176,678
Transfers				43,185	(43,185)	-
Total general revenues and transfers				<u>17,719,915</u>	<u>(38,669)</u>	<u>17,681,246</u>
Change in net position				2,042,369	(8,572)	2,033,797
Net position beginning of year, as restated				<u>6,404,689</u>	<u>(1,153)</u>	<u>6,403,536</u>
Net position end of year				<u>\$ 8,447,058</u>	<u>(9,725)</u>	<u>8,437,333</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,893,763	13,881,227	1,162,527	18,937,517
Receivables:				
Property tax:				
Delinquent	69,756	10,981	7,525	88,262
Succeeding year	5,731,232	826,358	340,000	6,897,590
Income surtax	530,702	-	-	530,702
Accounts	3,437	-	-	3,437
Due from other funds	6,195	-	-	6,195
Due from other governments	315,857	245,963	-	561,820
<b>TOTAL ASSETS</b>	<b>\$ 10,550,942</b>	<b>14,964,529</b>	<b>1,510,052</b>	<b>27,025,523</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 239,257	200,948	2,674	442,879
Salaries and benefits payable	1,868,447	-	803	1,869,250
Total liabilities	2,107,704	200,948	3,477	2,312,129
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,731,232	826,358	340,000	6,897,590
Income surtax	530,702	-	-	530,702
Total deferred inflows of resources	6,261,934	826,358	340,000	7,428,292
Fund balances:				
Restricted for:				
Categorical funding	551,932	-	-	551,932
Debt service	-	787,478	662,874	1,450,352
School infrastructure	-	10,684,974	-	10,684,974
Physical plant and equipment levy	-	2,464,771	-	2,464,771
Management levy purposes	-	-	281,525	281,525
Student activities	-	-	222,176	222,176
Committed for instructional support levy	225,393	-	-	225,393
Unassigned	1,403,979	-	-	1,403,979
Total fund balances	2,181,304	13,937,223	1,166,575	17,285,102
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,550,942</b>	<b>14,964,529</b>	<b>1,510,052</b>	<b>27,025,523</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 22)</b>		\$ 17,285,102
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		7,006,577
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.		(124,089)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,097,996
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		530,702
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,255,045	
Deferred inflows of resources	<u>(2,382,171)</u>	(1,127,126)
Long-term liabilities, including, revenue bonds payable, termination benefits payable, compensated absences payable, other postemployment benefits payable, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(16,222,104)</u>
<b>Net position of governmental activities(page 20)</b>		<u><u>\$ 8,447,058</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 5,584,420	896,917	545,269	7,026,606
Tuition	282,712	-	-	282,712
Other	310,549	53,934	297,675	662,158
Intermediate sources	22,582	-	-	22,582
State sources	9,666,697	1,520,163	11,337	11,198,197
Federal sources	726,779	-	-	726,779
<b>TOTAL REVENUES</b>	<b>16,593,739</b>	<b>2,471,014</b>	<b>854,281</b>	<b>19,919,034</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,503,296	-	267,383	6,770,679
Special	2,622,239	-	-	2,622,239
Other	2,144,324	-	309,444	2,453,768
	11,269,859	-	576,827	11,846,686
Support services:				
Student	607,413	-	52,159	659,572
Instructional staff	610,317	229,332	28,684	868,333
Administration	1,791,021	3,000	40,443	1,834,464
Operation and maintenance of plant	1,220,502	188,991	107,149	1,516,642
Transportation	496,595	178,000	30,293	704,888
	4,725,848	599,323	258,728	5,583,899
Non-instructional programs:				
Food service operations	-	-	10,067	10,067
Capital outlay	-	1,362,742	-	1,362,742
Long-term debt:				
Principal	-	-	535,000	535,000
Interest and fiscal charges	-	-	253,527	253,527
	-	-	788,527	788,527
Other expenditures:				
AEA flowthrough	696,517	-	-	696,517
<b>TOTAL EXPENDITURES</b>	<b>16,692,224</b>	<b>1,962,065</b>	<b>1,634,149</b>	<b>20,288,438</b>
Excess(Deficiency) of revenues over(under) expenditures	(98,485)	508,949	(779,868)	(369,404)
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfer in	49,556	-	779,451	829,007
Transfer out	-	(779,451)	(6,371)	(785,822)
Sale of equipment	17,990	-	-	17,990
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>67,546</b>	<b>(779,451)</b>	<b>773,080</b>	<b>61,175</b>
Change in fund balances	(30,939)	(270,502)	(6,788)	(308,229)
Fund balances beginning of year	2,212,243	14,207,725	1,173,363	17,593,331
Fund balances end of year	\$ 2,181,304	13,937,223	1,166,575	17,285,102

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds**(page 24) \$ (308,229)

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

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

Capital outlay	\$ 1,522,872	
Depreciation expense	(427,740)	
Loss on disposal	(2,068)	
	1,093,064	1,093,064

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 59,356

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 535,000

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. 5,350

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 121,264

The current year District employer share of IPERS contribution are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position. 916,288

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

Termination benefits	\$ 210,646	
Compensated absences	(8,774)	
Pension expense	(453,236)	
Other postemployment benefits	(128,360)	
	(379,724)	(379,724)

**Change in net position of governmental activities**(page 21) \$ 2,042,369

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$ 212,854	1,357,580
Accounts receivable	520	-
Due from other governments	5,406	-
Inventories	18,246	-
Total current assets	<u>237,026</u>	<u>1,357,580</u>
Non-current assets:		
Capital assets, net of accumulated depreciation	79,523	-
<b>TOTAL ASSETS</b>	<u>316,549</u>	<u>1,357,580</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows of resources	<u>38,693</u>	-
<b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	6,195	-
Accounts payable	92	3,870
Salaries and benefits payable	62,766	15,464
Incurred but not reported claims	-	240,250
Unearned revenue	13,433	-
Total current liabilities	<u>82,486</u>	<u>259,584</u>
Noncurrent liabilities:		
Net pension liability	191,799	-
Net OPEB liability	16,500	-
Total noncurrent liabilities	<u>208,299</u>	-
<b>TOTAL LIABILITIES</b>	<u>290,785</u>	<u>259,584</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows of resources	<u>74,182</u>	-
<b>NET POSITION</b>		
Net investment in capital assets	79,523	-
Unrestricted	(89,248)	1,097,996
<b>TOTAL NET POSITION</b>	<u>\$ (9,725)</u>	<u>1,097,996</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 333,510	-
Miscellaneous	3,540	2,309,910
<b>TOTAL OPERATING REVENUES</b>	<b>337,050</b>	<b>2,309,910</b>
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	2,220	2,196,573
Operation and maintenance of plant:		
Services	8,914	-
<b>TOTAL SUPPORT SERVICES</b>	<b>11,134</b>	<b>2,196,573</b>
Non-instructional programs:		
Food service operations:		
Salaries	328,589	-
Benefits	94,515	-
Supplies	448,177	-
Depreciation	13,466	-
<b>TOTAL NON-INSTRUCTIONAL PROGRAMS</b>	<b>884,747</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>895,881</b>	<b>2,196,573</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(558,831)</b>	<b>113,337</b>
NON-OPERATING REVENUES(EXPENSES):		
Transfer to General Fund	(43,185)	-
State sources	8,261	-
Federal sources	584,207	-
Interest on investments	976	7,927
<b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b>	<b>550,259</b>	<b>7,927</b>
Increase(Decrease) in net position	(8,572)	121,264
Net position beginning of year, as restated	(1,153)	976,732
Net position end of year	\$ (9,725)	1,097,996

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 334,416	-
Cash received from miscellaneous operating activities	3,540	2,309,910
Cash payments to employees for services	(430,635)	(58,454)
Cash payments to suppliers for goods or services	(396,404)	(2,128,900)
Net cash provided by(used in) operating activities	<u>(489,083)</u>	<u>122,556</u>
Cash flows from non-capital financing activities:		
Net interfund borrowings and repayments	2,027	-
Transfer to General Fund	(43,185)	-
State grants received	8,261	-
Federal grants received	523,222	-
Net cash provided by non-capital financing activities	<u>490,325</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(17,678)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>976</u>	<u>7,927</u>
Net increase(decrease) in cash and pooled investments	(15,460)	130,483
Cash and pooled investments beginning of year	<u>228,314</u>	<u>1,227,097</u>
Cash and pooled investments end of year	<u>\$ 212,854</u>	<u>1,357,580</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (558,831)	113,337
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	58,933	-
Depreciation	13,466	-
Decrease in inventories	3,924	-
Increase in accounts receivable	(109)	-
Increase in incurred but not reported claims	-	11,350
Increase(Decrease) in accounts payable	50	(1,155)
Increase(Decrease) in salary and benefits payable	1,967	(976)
Increase in other postemployment benefits	4,532	-
Decrease in net pension liability	(77,779)	-
Increase in deferred outflows of resources	(10,433)	-
Increase in deferred inflows of resources	74,182	-
Increase in unearned revenue	1,015	-
Net cash provided by(used in) operating activities	<u>\$ (489,083)</u>	<u>122,556</u>

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

During the year ended June 30, 2015, the District received Federal commodities valued at \$58,933.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 240,983	4,626
Interest receivable	78	-
<b>TOTAL ASSETS</b>	<u>241,061</u>	<u>4,626</u>
<b>LIABILITIES</b>		
Due to other groups	<u>-</u>	<u>4,626</u>
<b>NET POSITION</b>		
Held in trust for scholarships	<u>\$ 241,061</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 1,700
Interest income	1,914
TOTAL ADDITIONS	<u>3,614</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>8,970</u>
Change in net position	(5,356)
Net position beginning of year	<u>246,417</u>
Net position end of year	<u>\$ 241,061</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

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 funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute,

the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 Other Governments - Due from other governments represents the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 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 payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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.

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

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

Unassigned - All amounts not included in preceding classifications.

**E. Budgets and Budgetary Accounting**

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

**Note 2. Cash and Pooled Investments**

The District’s deposits in banks at June 30, 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 \$0 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor’s Financial Services.

**Note 3. Due From and Due to Other Funds**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: School Nutrition	<u>\$ 6,195</u>

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

**Note 4. Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Student Activity	\$ 6,371
General	Enterprise: School Nutrition	43,185
Debt Service	Capital Projects:	779,451
	Statewide Sales, Services and Use Tax	
Total		<u>\$ 829,007</u>

The transfer from the Student Activity Fund to General Fund was to transfer the remaining balances in the Senior Fee and Pool Support Accounts to the General Fund where they are more appropriately accounted for.

The transfer from the Enterprise: School Nutrition Fund to General Fund was to pay for indirect costs incurred by the Nutrition Fund during the year.

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

**Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 316,000	-	-	316,000
Construction in progress	209,381	1,128,560	-	1,337,941
Total capital assets not being depreciated	525,381	1,128,560	-	1,653,941
Capital assets being depreciated:				
Buildings	12,007,137	-	22,500	11,984,637
Machinery and equipment	2,481,805	394,312	192,738	2,683,379
Total capital assets being depreciated	14,488,942	394,312	215,238	14,668,016
Less accumulated depreciation for:				
Buildings	7,314,590	249,753	22,500	7,541,843
Machinery and equipment	1,786,220	177,987	190,670	1,773,537
Total accumulated depreciation	9,100,810	427,740	213,170	9,315,380
Total capital assets being depreciated, net	5,388,132	(33,428)	2,068	5,352,636
Governmental activities capital assets, net	\$ 5,913,513	1,095,132	2,068	7,006,577
Business type activities:				
Machinery and equipment	\$ 530,742	17,678	2,480	545,940
Less accumulated depreciation	455,431	13,466	2,480	466,417
Business type activities capital assets, net	\$ 75,311	4,212	-	79,523

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 12,340
Other	7,224
Support services:	
Student services	23,251
Instructional staff	8,780
Administration	7,863
Operation and maintenance of plant	19,031
Transportation	99,498
	177,987
Unallocated depreciation	249,753
Total governmental activities depreciation expense	\$ 427,740
Business type activities:	
Food service operations	\$ 13,466

**Note 6. Long-Term Debt**

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Revenue Bonds	\$ 10,000,000	-	535,000	9,465,000	535,000
Compensated Absences	41,374	50,148	41,374	50,148	50,148
Termination Benefits	291,070	74,544	285,190	80,424	78,000
Net Pension Liability	8,656,862	-	2,497,679	6,159,183	-
Net OPEB Liability	338,989	128,360	-	467,349	-
Total	\$ 19,328,295	253,052	3,359,243	16,222,104	663,148
<b><u>Business Type Activities:</u></b>					
Net Pension Liability	\$ 269,578	-	77,779	191,799	-
Net OPEB Liability	11,968	4,532	-	16,500	-
Total	\$ 281,546	4,532	77,779	208,299	-

**Revenue Bonds**

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 July 11, 2013				
	Interest Rate	Principal	Interest	Total	
2016	2.00 %	\$ 535,000	242,827	777,827	
2017	2.00	550,000	231,978	781,978	
2018	2.00	560,000	220,877	780,877	
2019	2.00	570,000	209,578	779,578	
2020	2.00	580,000	198,077	778,077	
2021-2025	2.00-2.85	3,105,000	789,549	3,894,549	
2026-2030	3.05-3.50	3,565,000	307,672	3,872,672	
Total		\$ 9,465,000	2,200,558	11,665,558	

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 of bonds issued in July 2013. The bonds were issued for the purpose of financing construction of a new middle school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 52% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,665,558. For the current year \$535,000 of principal and \$253,528 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,500,880.

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

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

**Termination Benefits**

In fiscal year 2010, the District approved a voluntary early retirement plan for its employees. The plan was only offered to employees for one year. Eligible employees received a District sponsored 403(b) benefit and the District paid single insurance premium for up to five years after their retirement. At June 30, 2015, a liability of \$5,880 remained for the 2010 retirement participants.

The District offered a one year voluntary early retirement plan to its full-time licensed employees in fiscal year 2015. Eligible employees must be at least fifty-five years old and have completed at least fifteen years of full-time service with the District. Employees must complete an application which is subject to approval by the Board of Education. The benefit for Certified Staff will be a \$15,000 payment to an employer sponsored 403(b) plan to be made in one installment on or before January 20 of the year after the employee’s year of retirement. District support staff was also offered an early retirement incentive of twelve months of single health insurance coverage paid by the District or until the employee reaches Medicare eligibility. Payment for insurance premiums will begin in September following the year of retirement. At June 30, 2015 a liability of \$74,544 remained for 2015 retirement plan participants.

At June 30, 2015, the District has obligations to eleven early retirement participants with a total liability of \$80,424. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$285,190.

**Note 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 \$944,432.

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 \$6,350,982 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 0.15693 percent, which was a decrease of 0.000073 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$467,350. 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	\$ 69,023	\$ -
Changes of assumptions	280,283	-
Net difference between projected and actual earnings on pension plan investments	-	2,422,082
Changes in proportion and differences between District contributions and proportionate share of contributions	-	34,271
District contributions subsequent to the measurement date	944,432	-
Total	<u>\$ 1,293,738</u>	<u>\$ 2,456,353</u>

\$944,342 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	\$ (531,914)
2017	(531,914)
2018	(531,914)
2019	(531,914)
2020	20,610
	<u>\$ (2,107,046)</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	2	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-percentagepoint 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	\$ 12,000,002	\$ 6,350,982	\$ 1,582,624

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 \$128,661 for legally required employer contributions and \$86,067 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug and dental benefits for employees, retirees and their spouses. There are 180 active and 24 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 233,741
Interest on net OPEB obligation	8,774
Adjustment to annual required contribution	(34,207)
Annual OPEB cost	<u>208,308</u>
Contributions made	<u>(75,416)</u>
Increase in net OPEB obligation	132,892
Net OPEB obligation beginning of year	<u>350,957</u>
Net OPEB obligation end of year	<u><u>\$ 483,849</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$75,416 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 219,918	42.8 %	\$ 229,682
2014	204,000	40.6	350,957
2015	208,308	36.1	483,849

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$1.481 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1.481 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10.988 million and the ratio of the UAAL to covered payroll was 13.5%. 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as

required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

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

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 9. Risk Management**

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

Payments are made based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. At June 30, 2015 the plan balance was \$1,097,996. The incurred but unpaid claims liability of \$240,250 reported in the plan at June 30, 2015, is based on the requirements of GASB Statement Number 10 and is set up as a liability on the Statement of Net Position.

Charles City Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$696,517 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.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 110,550
Gifted and talented	132,687
Returning dropout and dropout prevention	48,189
Beginning teacher mentoring and induction	401
Teacher salary supplement	856
Textbook aid for nonpublic students	1,311
Four-year old preschool state aid	34,181
Successful progression for early readers	37,804
Professional development for the model core curriculum	113,410
Professional development	53,127
Market factor incentives	10,150
Teacher leadership grants	9,266
Total	<u>\$ 551,932</u>

**Note 12. 28 E Facility Shared Use Agreement with the City of Charles City**

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

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

The City of Charles City shall pay the District an annual contribution, with payments due each year on the anniversary of the first payment. When the agreement was signed the first year contribution was set at \$32,630.14. This contribution shall be determined on an annual basis but shall not increase by more than 5% of the prior year’s contribution. The City and District agree to negotiate a reduction in or reimbursement of a portion of this fee if the School District does not employ both a technical coordinator and technical assistant during the entire year in which contributions are made. During the year ended June 30, 2015 the District received contributions from the city of \$35,975.

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

**Note 13. Construction Commitments**

At June 30, 2015, the District has entered into contracts for the construction of a new middle school. \$1,337,941 has been incurred against the contracts. The balance will be paid out as work on the projects progresses. Once the project is complete, the total cost of the project will be added to the District's capital assets listing.

**Note 14. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net investment in Capital Assets	Debt Service	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,450,352	281,525	10,684,974	1,403,979
Invested in capital assets, net of accumulated depreciation	7,006,577	-	-	-	-
Revenue bond capitalized indebtedness	(1,657,952)	-	-	-	-
Unspent revenue bond proceeds	-	-	-	(7,807,048)	-
Accrued interest payable	-	(124,089)	-	-	-
Termination benefits payable	-	-	(80,424)	-	-
Income surtax	-	-	-	-	530,702
Internal service fund	-	-	-	-	1,097,996
Compensated absences	-	-	-	-	(50,148)
Net OPEB liability	-	-	-	-	(467,349)
Pension related deferred outflows	-	-	-	-	1,255,045
Pension related deferred inflows	-	-	-	-	(2,382,171)
Net Pension liability	-	-	-	-	(6,159,183)
Committed for instructional support levy	-	-	-	-	225,393
Net position (Exhibit A)	\$ 5,348,625	1,326,263	201,101	2,877,926	(4,545,736)

**Note 15. Deficit Unrestricted/Total Net Position**

The Charles City Community School District had a deficit unrestricted net position of \$89,248 and a total deficit net position of \$9,725 in the Business Type Activity, Enterprise: School Nutrition Fund and a deficit unrestricted net position in its Governmental Activities of \$4,545,736 at June 30, 2015. (See Comment IV-L-15). The reason for these deficit net positions is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 during fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 16, Accounting Change/Restatement).

**Note 16. 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. This accounting change requires all school districts and other governmental entities in the State of Iowa that contribute to IPERS to show their share of the IPERS funding deficit as a liability on each entity's financial statements. 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	\$ 14,154,050	\$ 240,165
Net pension liability at June 30, 2014	(8,656,862)	(269,578)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	907,501	28,260
Net position July 1, 2014, as restated	<u>\$ 6,404,689</u>	<u>\$ (1,153)</u>

*Charles City Community School District*

## **Required Supplementary Information**

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 7,971,476	338,026	8,309,502	9,362,544	9,362,544	(1,053,042)
Intermediate sources	22,582	-	22,582	23,300	23,300	(718)
State sources	11,198,197	8,261	11,206,458	10,266,746	10,266,746	939,712
Federal sources	726,779	584,207	1,310,986	1,271,000	1,271,000	39,986
Total revenues	19,919,034	930,494	20,849,528	20,923,590	20,923,590	(74,062)
Expenditures/Expenses:						
Instruction	11,846,686	-	11,846,686	13,140,515	13,140,515	1,293,829
Support services	5,583,899	11,134	5,595,033	5,561,754	5,930,000	334,967
Non-instructional programs	10,067	884,747	894,814	990,000	990,000	95,186
Other expenditures	2,847,786	-	2,847,786	10,541,618	10,174,000	7,326,214
Total expenditures/expenses	20,288,438	895,881	21,184,319	30,233,887	30,234,515	9,050,196
Excess(Deficiency) of revenues over(under) expenditures/expenses	(369,404)	34,613	(334,791)	(9,310,297)	(9,310,925)	8,976,134
Other financing sources, net	61,175	(43,185)	17,990	26,000	26,000	(8,010)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/ expenses	(308,229)	(8,572)	(316,801)	(9,284,297)	(9,284,925)	8,968,124
Balance beginning of year, as restated	17,593,331	(1,153)	17,592,178	16,256,424	16,256,424	1,335,754
Balance end of year	\$ 17,285,102	(9,725)	17,275,377	6,972,127	6,971,499	10,303,878

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$628.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.159273%
District's proportionate share of the net pension liability	\$ 6,350,982
District's covered-employee payroll	\$ 10,575,946
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.05%
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.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CHARLES CITY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 944,432	938,104	884,092	786,836	670,209	673,693	622,114	549,639	494,073	460,229
Contributions in relation to the statutorily required contribution	\$ (944,432)	(938,104)	(884,092)	(786,836)	(670,209)	(673,693)	(622,114)	(549,639)	(494,073)	(460,229)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 10,575,946	10,505,084	10,197,140	9,750,136	9,643,295	9,693,424	9,797,071	9,084,942	8,592,574	8,003,983
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.

CHARLES CITY 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,079	\$ 1,079	0.0 %	8,794	12.3 %
2010	July 1, 2008	-	1,079	1,079	0.0	9,087	11.9
2011	July 1, 2010	-	1,177	1,177	0.0	8,293	14.2
2012	July 1, 2010	-	1,177	1,177	0.0	8,643	13.6
2013	July 1, 2012	-	1,498	1,498	0.0	8,925	16.8
2014	July 1, 2012	-	1,390	1,390	0.0	9,152	15.2
2015	July 1, 2014	-	1,481	1,481	0.0	10,988	13.5

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
<b>ASSETS</b>					
Cash and pooled investments	\$ 274,000	225,653	499,653	662,874	1,162,527
Receivables:					
Property tax:					
Delinquent	7,525	-	7,525	-	7,525
Succeeding year	340,000	-	340,000	-	340,000
<b>TOTAL ASSETS</b>	<b>\$ 621,525</b>	<b>225,653</b>	<b>847,178</b>	<b>662,874</b>	<b>1,510,052</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$	2,674	2,674	-	2,674
Salaries and benefits payable		803	803	-	803
Total liabilities		3,477	3,477	-	3,477
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	340,000	-	340,000	-	340,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	662,874	662,874
Management levy purposes	281,525	-	281,525	-	281,525
Student activities	-	222,176	222,176	-	222,176
Total fund balances	281,525	222,176	503,701	662,874	1,166,575
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 621,525</b>	<b>225,653</b>	<b>847,178</b>	<b>662,874</b>	<b>1,510,052</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 545,269	-	545,269	-	545,269
Other	16,765	276,813	293,578	4,097	297,675
State sources	11,337	-	11,337	-	11,337
<b>TOTAL REVENUES</b>	<b>573,371</b>	<b>276,813</b>	<b>850,184</b>	<b>4,097</b>	<b>854,281</b>
EXPENDITURES:					
Current:					
Instruction					
Regular	267,383	-	267,383	-	267,383
Other	-	309,444	309,444	-	309,444
Support services:					
Student	52,159	-	52,159	-	52,159
Instructional staff	28,684	-	28,684	-	28,684
Administration	39,804	639	40,443	-	40,443
Operation and maintenance of plant	107,149	-	107,149	-	107,149
Transportation	22,622	7,671	30,293	-	30,293
Non-instructional programs:					
Food service operations	10,067	-	10,067	-	10,067
Other expenditures:					
Long-term debt:					
Principal	-	-	-	535,000	535,000
Interest and fiscal charges	-	-	-	253,527	253,527
<b>TOTAL EXPENDITURES</b>	<b>527,868</b>	<b>317,754</b>	<b>845,622</b>	<b>788,527</b>	<b>1,634,149</b>
Excess(Deficiency) of revenues over(under) expenditures	45,503	(40,941)	4,562	(784,430)	(779,868)
OTHER FINANCING SOURCES(USES):					
Transfer in	-	-	-	779,451	779,451
Transfer out	-	(6,371)	(6,371)	-	(6,371)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>-</b>	<b>(6,371)</b>	<b>(6,371)</b>	<b>779,451</b>	<b>773,080</b>
Change in fund balances	45,503	(47,312)	(1,809)	(4,979)	(6,788)
Fund balances beginning of year	236,022	269,488	505,510	667,853	1,173,363
Fund balances end of year	\$ 281,525	222,176	503,701	662,874	1,166,575

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Middle School Project	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 3,435,197	2,456,172	7,989,858	13,881,227
Receivables:				
Property tax:				
Delinquent	-	10,981	-	10,981
Succeeding year	-	826,358	-	826,358
Due from other governments	233,776	-	12,187	245,963
<b>TOTAL ASSETS</b>	<b>\$ 3,668,973</b>	<b>3,293,511</b>	<b>8,002,045</b>	<b>14,964,529</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,569	2,382	194,997	200,948
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	826,358	-	826,358
Fund balances:				
Restricted for:				
Debt service	787,478	-	-	787,478
School infrastructure	2,877,926	-	7,807,048	10,684,974
Physical plant and equipment levy	-	2,464,771	-	2,464,771
Total fund balances	3,665,404	2,464,771	7,807,048	13,937,223
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,668,973</b>	<b>3,293,511</b>	<b>8,002,045</b>	<b>14,964,529</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Middle School Project	
REVENUES:				
Local sources:				
Local tax	\$ -	896,917	-	896,917
Other	14,300	12,965	26,669	53,934
State sources	1,500,880	19,283	-	1,520,163
<b>TOTAL REVENUES</b>	<b>1,515,180</b>	<b>929,165</b>	<b>26,669</b>	<b>2,471,014</b>
EXPENDITURES:				
Current:				
Support services:				
Instructional staff	-	229,332	-	229,332
Administration	3,000	-	-	3,000
Operation and maintenance of plant	62,772	126,219	-	188,991
Transportation	-	178,000	-	178,000
Capital outlay	69,757	164,424	1,128,561	1,362,742
<b>TOTAL EXPENDITURES</b>	<b>135,529</b>	<b>697,975</b>	<b>1,128,561</b>	<b>1,962,065</b>
Excesss(Deficiency) of revenues over(under) expenditures	1,379,651	231,190	(1,101,892)	508,949
OTHER FINANCING SOURCES USES:				
Transfer out	(779,451)	-	-	(779,451)
Change in fund balances	600,200	231,190	(1,101,892)	(270,502)
Fund balances beginning of year	3,065,204	2,233,581	8,908,940	14,207,725
Fund balances end of year	<b>\$ 3,665,404</b>	<b>2,464,771</b>	<b>7,807,048</b>	<b>13,937,223</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
COMET DRAMA	\$ 8,469	8,603	8,234	61	8,899
SPEECH CLUB	920	1,569	1,364	8	1,133
HS MUSICAL	3,948	8,148	6,046	44	6,094
CHIOR ROBES	175	20	-	(195)	-
GENERAL VOCAL ACTIVITY	16,140	71	117	313	16,407
MIDDLE SCHOOL MUSICAL	10,588	785	692	77	10,758
MARCHING BAND	8,983	7,581	5,493	270	11,341
JAZZ BAND	616	547	378	6	791
INSTRUMENTAL MUSIC	3,481	-	575	21	2,927
HS ORCHESTRA	1,146	25	-	8	1,179
MS BAND/ORCHESTRA	2,401	6,199	13,459	7,230	2,371
BAND FEES	206	246	264	(188)	-
ATHLETIC FUND	98,702	69,075	113,272	406	54,911
GIRLS TRACK	1,334	217	167	10	1,394
GIRLS CROSS COUNTRY	466	-	-	3	469
BOYS CROSS COUNTRY	18	774	370	3	425
SPORTSMAN'S PARK	8,816	14,289	10,286	84	12,903
CONCESSION STAND	25,082	51,091	55,338	159	20,994
BOWLING	101	461	500	-	62
POM SQUAD	-	3,974	2,614	9	1,369
BOYS BASKETBALL	1,694	415	1,440	5	674
FOOTBALL CLUB	524	-	418	1	107
BASEBALL CLUB	15,040	2,957	7,271	78	10,804
BOYS TRACK	337	984	166	7	1,162
BOYS GOLF	2,214	-	-	16	2,230
HS WRESTLING	1,062	1,158	2,036	1	185
GIRLS BASKETBALL	7,531	-	2,989	33	4,575
VOLLEYBALL FUND	1,038	1,542	1,471	8	1,117
SOFTBALL	-	6,591	3,262	24	3,353
GIRLS TENNIS	337	-	-	2	339
GIRLS GOLF	38	-	-	-	38
GIRLS SWIMMING CLUB	831	149	293	5	692
HS CHEERLEADERS	2,910	4,657	2,705	35	4,897
ANNUAL	7,999	11,873	15,022	35	4,885
ART CLUB	188	2,742	2,108	6	828
INFORMATION TECH CLUB	68	804	-	6	878
ALTERNATIVE HS ANNUAL	8	-	8	-	-
FUTURE BUSINESS LEADERS	118	8,645	7,228	12	1,547
FFA	6,083	39,698	38,104	64	7,741
GERMAN CLUB	1,776	5,743	4,955	16	2,580
SCHOOL IMPROVEMENT ASSISTANCE	6,455	2,601	2,825	1,207	7,438
SENIOR FEE	130	2,926	-	(3,056)	-
CLASS OF 2014	1,153	-	-	(1,153)	-
CLASS OF 2015	-	150	25	1	126
CLASS OF 2016	102	3,637	1,710	15	2,044
INDUSTRIAL TECHNOLOGY	721	71	-	6	798
FCS CLUB	1,197	-	-	9	1,206
FCCLA	1,983	1,077	1,092	14	1,982
MS ANNUAL	3,409	1,250	1,801	21	2,879
MS STUDENT COUNCIL	2,422	1,859	1,656	19	2,644
MS BAND UNIFORM	7,213	-	-	(7,213)	-
POOL SUPPORT	3,315	-	-	(3,315)	-
INTEREST	-	1,609	-	(1,609)	-
TOTALS	\$ 269,488	276,813	317,754	(6,371)	222,176

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,342,116	15,464	1,357,580
<b>LIABILITIES</b>			
Accounts payable	3,870	-	3,870
Salaries and benefits payable	-	15,464	15,464
Incurred but not reported claims	240,250	-	240,250
<b>TOTAL LIABILITIES</b>	<u>244,120</u>	<u>15,464</u>	<u>259,584</u>
<b>NET POSITION</b>	<u>\$ 1,097,996</u>	<u>-</u>	<u>1,097,996</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,252,432	57,478	2,309,910
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	2,139,095	57,478	2,196,573
OPERATING INCOME	113,337	-	113,337
NON-OPERATING REVENUES:			
Interest income	7,927	-	7,927
Change in net position	121,264	-	121,264
Net position beginning of year	976,732	-	976,732
Net position end of year	\$ 1,097,996	-	1,097,996

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2015

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,252,432	57,478	2,309,910
Cash payments to employees for services	-	(58,454)	(58,454)
Cash payments to suppliers for goods or services	(2,128,900)	-	(2,128,900)
Net cash provided by(used in) operating activities	<u>123,532</u>	<u>(976)</u>	<u>122,556</u>
Cash flows from investing activities:			
Interest on investments	7,927	-	7,927
Net increase(decrease) in cash and pooled investments	131,459	(976)	130,483
Cash and cash equivalents beginning of year	<u>1,210,657</u>	<u>16,440</u>	<u>1,227,097</u>
Cash and cash equivalents end of year	<u>\$ 1,342,116</u>	<u>15,464</u>	<u>1,357,580</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 113,337	-	113,337
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in incurred but not reported claims	11,350	-	11,350
Decrease in accounts payable	(1,155)	-	(1,155)
Decrease in salaries and benefits payable	-	(976)	(976)
Net cash provided by(used in) operating activities	<u>\$ 123,532</u>	<u>(976)</u>	<u>122,556</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2015

	Private Purpose Trust - Scholarship										Total
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	
<b>ASSETS</b>											
Cash and pooled investments	\$ 35,539	25,089	15,109	15,644	127,726	12,212	4,593	3,899	107	1,065	240,983
Interest receivable	4	18	12	24	10	10	-	-	-	-	78
<b>TOTAL ASSETS</b>	<b>35,543</b>	<b>25,107</b>	<b>15,121</b>	<b>15,668</b>	<b>127,736</b>	<b>12,222</b>	<b>4,593</b>	<b>3,899</b>	<b>107</b>	<b>1,065</b>	<b>241,061</b>
<b>LIABILITIES</b>	-	-	-	-	-	-	-	-	-	-	-
<b>NET POSITION</b>											
Held in trust for scholarships	\$ 35,543	25,107	15,121	15,668	127,736	12,222	4,593	3,899	107	1,065	241,061

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund										
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Miller Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	Total
ADDITIONS:											
Local sources:											
Gifts and contributions	\$ -	-	-	-	-	-	-	-	-	1,700	1,700
Interest income	232	327	195	176	836	110	29	-	-	9	1,914
<b>TOTAL ADDITIONS</b>	<b>232</b>	<b>327</b>	<b>195</b>	<b>176</b>	<b>836</b>	<b>110</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>1,709</b>	<b>3,614</b>
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	235	1,030	195	2,500	3,000	110	-	-	-	1,900	8,970
Change in net position	(3)	(703)	-	(2,324)	(2,164)	-	29	-	-	(191)	(5,356)
Net position beginning of year	35,546	25,810	15,121	17,992	129,900	12,222	4,564	3,899	107	1,256	246,417
Net position end of year	\$ 35,543	25,107	15,121	15,668	127,736	12,222	4,593	3,899	107	1,065	241,061

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,679	29,511	27,564	4,626
<b>LIABILITIES</b>				
Due to other groups	\$ 2,679	29,511	27,564	4,626

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 7,026,606	6,721,863	7,551,289	7,869,789	7,375,092	6,441,571	6,168,489	5,131,442	4,912,590	4,571,538
Tuition	282,712	304,475	311,436	374,700	309,235	326,961	348,519	312,904	396,504	460,364
Other	662,158	1,005,600	671,799	713,205	811,234	667,496	597,161	1,685,467	1,682,809	1,534,559
Intermediate sources	22,582	12,009	-	-	-	-	-	-	-	-
State sources	11,198,197	11,000,033	9,382,683	9,028,850	8,549,263	7,668,261	8,972,837	8,865,233	8,227,947	7,534,562
Federal sources	726,779	657,814	665,053	685,712	1,292,799	1,881,828	857,927	693,981	635,238	616,115
Total	\$ 19,919,034	19,701,794	18,582,260	18,672,256	18,337,623	16,986,117	16,944,933	16,689,027	15,855,088	14,717,138
Expenditures:										
Instruction:										
Regular	\$ 6,770,679	6,420,359	6,272,493	6,580,888	5,909,452	5,989,758	5,709,435	5,773,206	5,568,168	4,980,929
Special	2,622,239	2,736,368	2,752,089	2,581,622	2,532,775	2,632,367	2,735,995	2,463,608	2,416,275	2,188,725
Other	2,453,768	2,485,491	2,480,387	2,492,778	2,445,630	2,622,592	2,083,600	1,889,948	1,673,997	1,721,394
Support services:										
Student	659,572	721,069	569,054	522,673	515,715	535,423	517,097	493,054	455,475	383,759
Instructional staff	868,333	542,806	584,254	669,982	794,983	1,006,347	643,351	619,841	645,251	527,392
Administration	1,834,464	1,652,714	1,659,598	1,558,923	1,458,075	1,481,525	1,624,194	1,626,294	1,579,486	1,350,392
Operation and maintenance of plant	1,516,642	1,433,184	1,222,582	1,205,821	1,187,807	1,219,740	1,217,087	1,271,245	1,206,095	1,181,525
Transportation	704,888	552,992	483,613	533,537	542,626	489,317	468,449	472,789	458,751	435,304
Non-instructional programs	10,067	9,545	8,582	7,942	10,193	10,470	10,372	28,421	9,210	10,392
Capital outlay	1,362,742	367,744	427,902	1,926,871	646,726	842,263	707,028	834,063	1,045,763	1,547,041
Long-term debt:										
Principal	535,000	-	-	-	-	250,000	240,000	225,000	215,000	205,000
Interest and fiscal charges	253,527	122,248	-	-	-	13,750	26,710	40,537	50,143	61,828
Other expenditures:										
AEA flow-through	696,517	669,154	627,053	636,252	701,884	698,523	600,931	577,604	543,828	503,072
Total	\$ 20,288,438	17,713,674	17,087,607	18,717,289	16,745,866	17,792,075	16,584,249	16,315,610	15,867,442	15,096,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	91,010
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	470,039 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 15	5,406
			<u>566,455</u>
 CHILD AND ADULT FOOD CARE PROGRAM	 10.558	 FY 15	 <u>17,752</u>
 DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	368,845
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-GC	27,138
			<u>395,983</u>
 SPECIAL EDUCATION - GRANTS TO STATES - HIGH COST CLAIM	 84.027	 FY 15	 <u>4,043 **</u>
 IMPROVING TEACHER QUALITY STATE GRANTS	 84.367	 FY 15	 <u>77,243</u>
 GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	 84.369	 FY 15	 <u>7,860</u>
 STATE OF IOWA:			
REHABILITATION SERVICES - VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	FY 15	<u>24,600</u>
 AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>85,259 **</u>
 CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	 84.048	 FY 15	 <u>20,122</u>
 ENGLISH LANGUAGE ACQUISITION STATE GRANTS	 84.365	 FY 15	 <u>2,316</u>
 TOTAL			 <u>\$ 1,201,633</u>

\* Includes \$55,624 of non-cash awards

\*\* Total for Special Education Cluster (IDEA) is \$89,302.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charles City Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Charles City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

### **Charles City Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2015  
Newton, Iowa

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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 Charles City Community School District**

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

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

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

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.

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2015  
Newton, Iowa

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

No matters were noted.

CHARLES CITY 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 did not exceed the amounts budgeted.
- 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 - No business transactions between the District and District officials or employees were noted.
- 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 - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 1.00 students for the fall 2014 count date.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.
- Conclusion - Response accepted.
- IV-H-15 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was understated by 0.381 for the fall of 2014.
- Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.
- Conclusion - Response accepted.
- IV-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had a deficit unrestricted net position of \$89,248 and a deficit total net position of \$9,725 in the School Nutrition Fund. The District also had a deficit unrestricted net position in the District's Governmental Activities of \$4,545,736. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was 6,159,183 at June 30, 2015. (See Note 16, Accounting Change/Restatement).

Conclusion - Response accepted.

IV-M-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 3,065,204
Revenues:		
Sales tax revenues	\$ 1,500,880	
Other local revenues	14,300	
Total revenues	<u>1,515,180</u>	<u>1,515,180</u>
Expenditures/transfers out:		
School infrastructure construction	34,487	
Equipment	62,772	
Other	38,270	
Transfers to other funds		
Debt service fund	779,451	914,980
Ending balance	<u>779,451</u>	<u>\$ 3,665,404</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.