

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

JUNE 30, 2017

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Charles City Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Scott Dight	President	2017
Jason Walker	Vice President	2019
James Frisbie	Board Member	2017
Lorraine Winterink	Board Member	2017
Robin Macomber	Board Member	2019
<u>School Officials</u>		
Dr. Dan Cox	Superintendent	2017
Terri O' Brien	District Treasurer/Secretary/ Business Manager	2017
Ahlers Law Firm	Attorney	2017

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Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITORS REPORT

To the Board of Education of 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, 2017, and the related Notes to 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management’s Discussion and Analysis, Budgetary Comparison Information, 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 55 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 four years ended June 30, 2016 and the three years ended 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 year ended 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2018, on our consideration of the Charles City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Charles City Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 4, 2018
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charles City Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,531,791 in fiscal year 2016 to \$17,917,128 in fiscal year 2017, while General Fund expenditures increased from \$16,962,755 in fiscal year 2016 to \$18,126,728 in fiscal year 2017. The increase in expenditures outpaced the increase in revenues causing the District's General Fund balance to decrease from \$2,750,340 at June 30, 2016 to \$2,540,740 at June 30, 2017, a 7.62% decrease.
- The increase in General Fund revenues was attributable to an increase in state sources received over the prior year. The increase in expenditures was primarily due to an increase in salary and benefit expenditures incurred compared to the prior year.
- At June 30, 2017, the District's solvency ratio was 9.53% as compared to 10.22% at June 30, 2016.

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, internal service funds and scholarship accounts. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

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

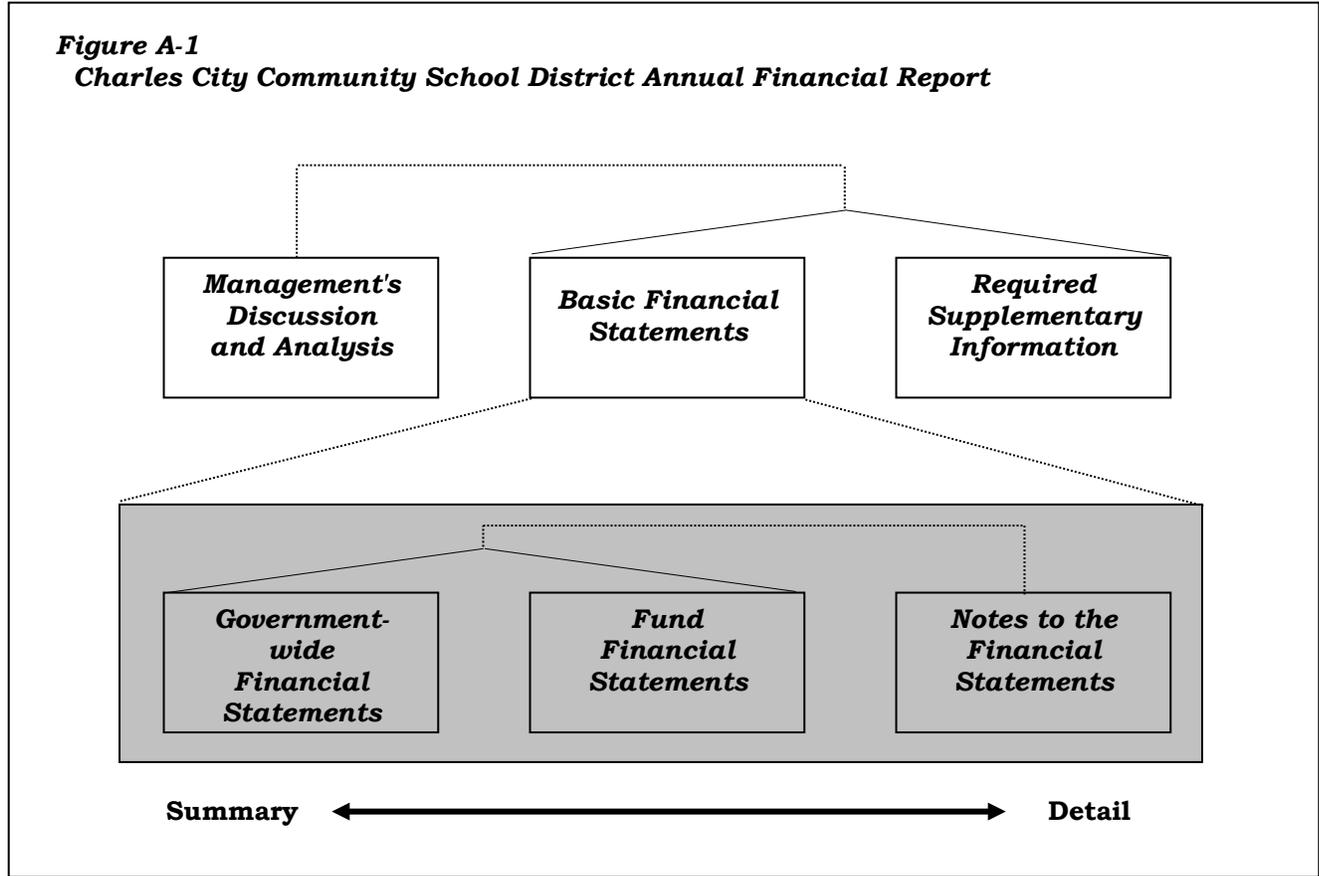


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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.

-
- 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, 2017 compared to June 30, 2016.

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,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 17,709,370	24,472,376	170,314	160,542	17,879,684	24,632,918	-27.42%
Capital assets	24,647,866	20,932,108	168,385	75,584	24,816,251	21,007,692	18.13%
Total assets	42,357,236	45,404,484	338,699	236,126	42,695,935	45,640,610	-6.45%
Deferred outflows of resources	2,508,752	1,239,373	71,228	37,721	2,579,980	1,277,094	102.02%
Long-term liabilities	24,692,195	24,301,123	298,092	250,836	24,990,287	24,551,959	1.79%
Other liabilities	2,343,611	4,218,612	62,670	75,471	2,406,281	4,294,083	-43.96%
Total liabilities	27,035,806	28,519,735	360,762	326,307	27,396,568	28,846,042	-5.02%
Deferred inflows of resources	7,196,838	7,436,878	11,979	25,175	7,208,817	7,462,053	-3.39%
Net position:							
Net investment in capital assets	9,907,866	4,717,108	168,385	75,584	10,076,251	4,792,692	110.24%
Restricted	4,522,976	9,762,690	-	-	4,522,976	9,762,690	-53.67%
Unrestricted	(3,797,498)	(3,792,554)	(131,199)	(153,219)	(3,928,697)	(3,945,773)	0.43%
Total net position	\$ 10,633,344	10,687,244	37,186	(77,635)	10,670,530	10,609,609	0.57%

The District's combined net position increased by 0.57%, or \$60,921, 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$5,239,714 or 53.67% from the prior year. The decrease in restricted fund balance is due the decrease 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 - increased \$17,076 or 0.43%. This increase in unrestricted net position was primarily the result of an increase in balances of the District's internal service funds compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 727,737	726,342	352,077	327,608	1,079,814	1,053,950	2.45%
Operating grants, contributions and restricted interest	1,942,486	2,054,388	625,081	586,732	2,567,567	2,641,120	-2.78%
General revenues:							
Property tax	6,650,654	6,724,934	-	-	6,650,654	6,724,934	-1.10%
Income surtax	555,082	637,352	-	-	555,082	637,352	-12.91%
Statewide sales, services and use tax	1,466,592	1,474,732	-	-	1,466,592	1,474,732	-0.55%
Unrestricted state grants	9,215,249	8,749,181	-	-	9,215,249	8,749,181	5.33%
Unrestricted interest income	109,980	136,633	1,072	897	111,052	137,530	-19.25%
Other	256,623	174,882	33,923	3,571	290,546	178,453	62.81%
Total revenues	20,924,403	20,678,444	1,012,153	918,808	21,936,556	21,597,252	1.57%
Program expenses:							
Instruction	13,103,903	11,374,273	-	-	13,103,903	11,374,273	15.21%
Support services	6,018,944	5,796,797	250	649	6,019,194	5,797,446	3.82%
Non-instructional programs	37,495	11,162	961,335	941,767	998,830	952,929	4.82%
Other expenses	1,903,306	1,300,328	-	-	1,903,306	1,300,328	46.37%
Total expenses	21,063,648	18,482,560	961,585	942,416	22,025,233	19,424,976	13.39%
Excess (deficiency) of revenues over(under) expenditures	(139,245)	2,195,884	50,568	(23,608)	(88,677)	2,172,276	-104.08%
Transfers	(64,253)	44,302	64,253	(44,302)	-	-	0.00%
Changes in net position before extraordinary item	(203,498)	2,240,186	114,821	(67,910)	(88,677)	2,172,276	-104.08%
Extraordinary item:							
Middle school project private contributions (see note 16)	149,598	-	-	-	149,598	-	100.00%
Change in net position	(53,900)	2,240,186	114,821	(67,910)	60,921	2,172,276	-97.20%
Net position beginning of year	10,687,244	8,447,058	(77,635)	(9,725)	10,609,609	8,437,333	25.75%
Net position end of year	\$ 10,633,344	10,687,244	37,186	(77,635)	10,670,530	10,609,609	0.57%

In fiscal year 2017, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 85.49% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 96.54% of the revenue from business type activities. The District's total revenues were approximately \$21.9 million of which approximately \$20.9 million was for governmental activities and approximately \$1.0 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.57% increase in revenues and a 13.39% increase in expenses. The primary reason for this increase in revenues was an increase in unrestricted state grants received over the prior year. The increase in expenses is related to an increase in instruction cost incurred over the prior year.

Governmental Activities

Revenues for governmental activities were \$20,924,403 and expenses were \$21,063,648 for the year ended June 30, 2017.

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, 2017 compared to those expenses the year ended June 30, 2016.

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 13,103,903	11,374,273	15.21%	11,260,272	9,413,201	19.62%
Support services	6,018,944	5,796,797	3.83%	5,875,915	5,672,693	3.58%
Non-instructional programs	37,495	11,162	235.92%	37,495	11,162	235.92%
Other expenses	1,903,306	1,300,328	46.37%	1,219,743	604,774	101.69%
Totals	\$ 21,063,648	18,482,560	13.96%	18,393,425	15,701,830	17.14%

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$727,737.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,942,486.
- The net cost of governmental activities was financed with \$6,650,654 in property tax, \$555,082 in income surtax, \$1,466,592 in statewide sales, services and use tax, \$9,215,249 in unrestricted state grants, \$109,980 in interest income, and \$256,623 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities during the year ended June 30, 2017 were \$1,012,153, a 10.16% increase from the prior year, and expenses were \$961,585, a 2.03% 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 \$6,618,923, which is less than last year's ending fund balances of \$12,012,700. The 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 incurred on outstanding District construction projects.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,750,340 at June 30, 2016 to \$2,540,740 at June 30, 2017. Revenues increased from the prior year primarily due to increased state sources received. Expenditures increased primarily due to an increase in instructional costs incurred compared to the prior year.

- The Capital Projects Fund balance decreased from \$8,023,168 at June 30, 2016 to \$2,799,515 at June 30, 2017. The decrease in Capital Projects Fund balance is primarily due to continued capital outlay expenditures on District construction projects.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit net position of \$77,635 at June 30, 2016 to \$37,186 at June 30, 2017, representing an increase of 147.9%. The income in net position is primarily due to the capital contributions received from the Middle School Construction Fund during fiscal year 2017.

BUDGETARY HIGHLIGHTS

The District's revenues were \$420,706 more than budgeted revenues, a variance of 1.95%. The most significant dollar variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas as well as in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested approximately \$24.82 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 18.13% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,058,451.

The original cost of the District's capital assets was approximately \$36.03 million. Governmental activities account for approximately \$35.40 million with the remainder of approximately \$0.63 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings net of accumulated depreciation totaled \$22,104,912 at June 30, 2017, compared to \$4,193,041 at June 30, 2016. This increase resulted from completion of the District's middle school addition project during fiscal year 2017.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 495,801	316,000	-	-	495,801	316,000	56.90%
Construction in progress	1,060,720	15,421,293	-	-	1,060,720	15,421,293	-93.12%
Buildings	22,104,912	4,193,041	-	-	22,104,912	4,193,041	427.18%
Machinery and equipment	986,433	1,001,774	168,385	75,584	1,154,818	1,077,358	7.19%
Total	\$ 24,647,866	20,932,108	168,385	75,584	24,816,251	21,007,692	18.13%

Long-Term Liabilities

At June 30, 2017, the District had \$24,990,287 in other long-term debt outstanding. This represents an increase of 1.79% from last year. (See Figure A-7) Additional information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$12,865,000 at June 30, 2017, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding capital loan notes of \$1,875,000 at June 30, 2017, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total outstanding compensated absences payable from the General Fund of \$51,563 at June 30, 2017.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$147,044 at June 30, 2017.

The District had outstanding net Pension liability at June 30, 2017 of \$9,339,872. Governmental activities account for \$9,059,860 of this total while business type activities account for \$280,012.

The District had outstanding net OPEB liability at June 30, 2017 of \$711,808. Governmental activities accounted for \$693,728 of this total while business type activities accounted for \$18,080.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Revenue Bonds	\$ 12,865,000	13,730,000	-	-	12,865,000	13,730,000	-6.30%
Capital Loan Notes	1,875,000	2,485,000	-	-	1,875,000	2,485,000	-24.55%
Compensated Absences	51,563	51,197	-	-	51,563	51,197	0.71%
Termination benefits	147,044	42,652	-	-	147,044	42,652	244.75%
Net pension liability	9,059,860	7,396,953	280,012	229,818	9,339,872	7,626,771	22.46%
Net OPEB Liability	693,728	595,321	18,080	21,018	711,808	616,339	15.49%
Totals	\$ 24,692,195	24,301,123	298,092	250,836	24,990,287	24,551,959	1.79%

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 2017 enrollment decreased 11.24 students. This decrease in enrollment will negatively impact the District's funding for fiscal year 2018-19. The District is planning to make budget reductions for fiscal year 2019.
- Over the course of 2017, district administration has been working with BLDD Architects and stakeholders on a plan to modernize the Charles City High School building. A referendum vote is expected to be held in 2018.

-
- A local developer had been working with school district officials on a purchase agreement for the North Grand Building (former middle school). Ultimately, the option to purchase the building was not exercised. District administration will continue to seek another buyer for the building. The NGB also may serve as a relocation site for HS students during the construction process if it passes.

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, Secretary 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, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,801,755	99,020	9,900,775
Receivables:			
Property tax:			
Delinquent	75,523	-	75,523
Succeeding year	6,803,462	-	6,803,462
Income surtax	544,206	-	544,206
Interest	6,184	-	6,184
Accounts	70,414	53,631	124,045
Due from other governments	407,826	4,584	412,410
Inventories	-	13,079	13,079
Capital assets, net of accumulated depreciation	24,647,866	168,385	24,816,251
TOTAL ASSETS	42,357,236	338,699	42,695,935
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,508,752	71,228	2,579,980
LIABILITIES			
Accounts payable	397,807	-	397,807
Salaries and benefits payable	1,562,284	48,637	1,610,921
Incurred but not reported claims	265,900	-	265,900
Accrued interest payable	117,620	-	117,620
Unearned revenue	-	14,033	14,033
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	885,000	-	885,000
Capital loan note payable	615,000	-	615,000
Termination benefits payable	145,870	-	145,870
Compensated absences payable	51,563	-	51,563
Portion due after one year:			
Revenue bonds payable	11,980,000	-	11,980,000
Capital loan note payable	1,260,000	-	1,260,000
Termination benefits payable	1,174	-	1,174
Net pension liability	9,059,860	280,012	9,339,872
Net OPEB liability	693,728	18,080	711,808
TOTAL LIABILITIES	27,035,806	360,762	27,396,568
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,803,462	-	6,803,462
Pension related deferred inflows	393,376	11,979	405,355
TOTAL DEFERRED INFLOWS OF RESOURCES	7,196,838	11,979	7,208,817
NET POSITION			
Net investment in capital assets	9,907,866	168,385	10,076,251
Restricted for:			
Categorical funding	709,457	-	709,457
Debt service	1,349,281	-	1,349,281
School infrastructure	1,086,112	-	1,086,112
Physical plant and equipment	925,925	-	925,925
Management levy purposes	191,606	-	191,606
Student activities	260,595	-	260,595
Unrestricted	(3,797,498)	(131,199)	(3,928,697)
TOTAL NET POSITION	\$ 10,633,344	37,186	10,670,530

SEE NOTES TO FINANCIAL STATEMENTS.

**CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,905,797	218,653	169,045	(4,518,099)	-	(4,518,099)
Special	4,470,252	161,175	390,285	(3,918,792)	-	(3,918,792)
Other	3,727,854	329,119	575,354	(2,823,381)	-	(2,823,381)
	<u>13,103,903</u>	<u>708,947</u>	<u>1,134,684</u>	<u>(11,260,272)</u>	<u>-</u>	<u>(11,260,272)</u>
Support services:						
Student	504,391	-	29,959	(474,432)	-	(474,432)
Instructional staff	1,194,985	-	27,817	(1,167,168)	-	(1,167,168)
Administration	2,169,896	-	591	(2,169,305)	-	(2,169,305)
Operation and maintenance of plant	1,464,964	-	7,099	(1,457,865)	-	(1,457,865)
Transportation	684,708	18,790	58,773	(607,145)	-	(607,145)
	<u>6,018,944</u>	<u>18,790</u>	<u>124,239</u>	<u>(5,875,915)</u>	<u>-</u>	<u>(5,875,915)</u>
Non-instructional programs:						
Food service operations	37,495	-	-	(37,495)	-	(37,495)
Long-term debt interest	381,811	-	-	(381,811)	-	(381,811)
Other expenditures:						
AEA flowthrough	683,563	-	683,563	-	-	-
Depreciation(unallocated)*	837,932	-	-	(837,932)	-	(837,932)
	<u>1,521,495</u>	<u>-</u>	<u>683,563</u>	<u>(837,932)</u>	<u>-</u>	<u>(837,932)</u>
Total governmental activities	<u>21,063,648</u>	<u>727,737</u>	<u>1,942,486</u>	<u>(18,393,425)</u>	<u>-</u>	<u>(18,393,425)</u>
Business type activities:						
Support services:						
Administration	250	-	-	-	(250)	(250)
Non-instructional programs:						
Food service operations	961,335	352,077	625,081	-	15,823	15,823
Total business type activities	<u>961,585</u>	<u>352,077</u>	<u>625,081</u>	<u>-</u>	<u>15,573</u>	<u>15,573</u>
Total	<u>\$ 22,025,233</u>	<u>1,079,814</u>	<u>2,567,567</u>	<u>(18,393,425)</u>	<u>15,573</u>	<u>(18,377,852)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 5,818,380	-	5,818,380
Capital outlay				832,274	-	832,274
Income surtax				555,082	-	555,082
Statewide sales, services and use tax				1,466,592	-	1,466,592
Unrestricted state grants				9,215,249	-	9,215,249
Unrestricted investment earnings				109,980	1,072	111,052
Other				256,623	33,923	290,546
Transfers				(64,253)	64,253	-
Total general revenues and transfers				<u>18,189,927</u>	<u>99,248</u>	<u>18,289,175</u>
Changes in net position before extraordinary item				(203,498)	114,821	(88,677)
EXTRAORDINARY ITEM:						
Middle school project private contributions (see note 16)				149,598	-	149,598
Change in net position				<u>(53,900)</u>	<u>114,821</u>	<u>60,921</u>
Net position beginning of year				<u>10,687,244</u>	<u>(77,635)</u>	<u>10,609,609</u>
Net position end of year				<u>\$ 10,633,344</u>	<u>37,186</u>	<u>10,670,530</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 3,930,663	2,864,856	1,262,946	8,058,465
Receivables:				
Property tax:				
Delinquent	62,813	8,801	3,909	75,523
Succeeding year	5,280,664	872,798	650,000	6,803,462
Income surtax	453,505	90,701	-	544,206
Interest	-	-	6,184	6,184
Accounts	2,343	-	5,884	8,227
Due from other governments	285,909	121,917	-	407,826
TOTAL ASSETS	\$ 10,015,897	3,959,073	1,928,923	15,903,893
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 201,493	196,059	255	397,807
Salaries and benefits payable	1,539,495	-	-	1,539,495
Total liabilities	1,740,988	196,059	255	1,937,302
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,280,664	872,798	650,000	6,803,462
Income surtax	453,505	90,701	-	544,206
Total deferred inflows of resources	5,734,169	963,499	650,000	7,347,668
Fund balances:				
Restricted for:				
Categorical funding	709,457	-	-	709,457
Debt service	-	787,478	679,423	1,466,901
School infrastructure	-	1,086,112	-	1,086,112
Physical plant and equipment	-	925,925	-	925,925
Management levy purposes	-	-	338,650	338,650
Student activities	-	-	260,595	260,595
Committed for instructional support levy	123,698	-	-	123,698
Unassigned	1,707,585	-	-	1,707,585
Total fund balances	2,540,740	2,799,515	1,278,668	6,618,923
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,015,897	3,959,073	1,928,923	15,903,893

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, 2017

Total fund balances of governmental funds (page 22) \$ 6,618,923

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 24,647,866

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (117,620)

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 1,516,788

Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds. 544,206

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	\$ 2,508,752	
Deferred inflows of resources	<u>(393,376)</u>	2,115,376

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. (24,692,195)

Net position of governmental activities (page 20) \$ 10,633,344

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, 2017

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 6,016,895	922,071	340,265	7,279,231
Tuition	327,737	-	-	327,737
Other	328,428	132,628	362,075	823,131
Intermediate sources	19,371	-	-	19,371
State sources	10,075,711	1,509,791	12,258	11,597,760
Federal sources	950,668	-	-	950,668
TOTAL REVENUES	17,718,810	2,564,490	714,598	20,997,898
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,938,055	-	133,518	7,071,573
Special	2,919,574	-	-	2,919,574
Other	2,139,033	-	302,728	2,441,761
	11,996,662	-	436,246	12,432,908
Support services:				
Student	519,896	-	22,737	542,633
Instructional staff	1,111,290	-	4,889	1,116,179
Administration	1,992,192	19,801	20,212	2,032,205
Operation and maintenance of plant	1,306,464	47,133	132,970	1,486,567
Transportation	494,039	-	39,320	533,359
	5,423,881	66,934	220,128	5,710,943
Non-instructional programs:				
Food service operations	22,622	-	14,873	37,495
Capital outlay	-	6,011,354	-	6,011,354
Long-term debt:				
Principal	-	-	1,475,000	1,475,000
Interest and fiscal charges	-	3,000	385,328	388,328
	-	3,000	1,860,328	1,863,328
Other expenditures:				
AEA flowthrough	683,563	-	-	683,563
TOTAL EXPENDITURES	18,126,728	6,081,288	2,531,575	26,739,591
Deficiency of revenues under expenditures	(407,918)	(3,516,798)	(1,816,977)	(5,741,693)
OTHER FINANCING SOURCES (USES):				
Transfer in	46,215	2,128,251	1,856,453	4,030,919
Transfer out	-	(3,984,704)	-	(3,984,704)
Insurance proceeds	10,920	-	-	10,920
Sale of equipment	141,183	-	-	141,183
Middle school project private contributions (see note 16)	-	149,598	-	149,598
TOTAL OTHER FINANCING SOURCES (USES)	198,318	(1,706,855)	1,856,453	347,916
Change in fund balances	(209,600)	(5,223,653)	39,476	(5,393,777)
Fund balances beginning of year	2,750,340	8,023,168	1,239,192	12,012,700
Fund balances end of year	\$ 2,540,740	2,799,515	1,278,668	6,618,923

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, 2017

Change in fund balances - total governmental funds (page 24) \$ (5,393,777)

*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, capital outlay and loss on disposal in the current year as follows:

Capital outlay	\$ 4,790,860	
Depreciation expense	(1,035,653)	
Loss on disposal	<u>(39,449)</u>	3,715,758

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. (73,495)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,475,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,517

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 419,526

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 997,669

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

Termination benefits	\$ (104,392)	
Compensated absences	(366)	
Pension expense	(997,933)	
Other postemployment benefits	<u>(98,407)</u>	<u>(1,201,098)</u>

Change in net position of governmental activities (page 21) \$ (53,900)

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Funds
ASSETS		
Current assets:		
Cash and pooled investments	\$ 99,020	1,743,290
Accounts receivable	53,631	62,187
Due from other governments	4,584	-
Inventories	13,079	-
Total current assets	<u>170,314</u>	<u>1,805,477</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	168,385	-
TOTAL ASSETS	<u>338,699</u>	<u>1,805,477</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows of resources	71,228	-
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	48,637	22,789
Incurred but not reported claims	-	265,900
Unearned revenue	14,033	-
Total current liabilities	<u>62,670</u>	<u>288,689</u>
Noncurrent liabilities:		
Net pension liability	280,012	-
Net OPEB liability	18,080	-
Total noncurrent liabilities	<u>298,092</u>	<u>-</u>
TOTAL LIABILITIES	<u>360,762</u>	<u>288,689</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows of resources	11,979	-
NET POSITION		
Net investment in capital assets	168,385	-
Unrestricted	(131,199)	1,516,788
TOTAL NET POSITION	<u>\$ 37,186</u>	<u>1,516,788</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, 2017

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Funds
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 352,077	-
Miscellaneous	33,923	2,640,906
TOTAL OPERATING REVENUES	386,000	2,640,906
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	250	2,239,777
Non-instructional programs:		
Food service operations:		
Salaries	295,573	-
Benefits	94,748	-
Services	424,627	-
Supplies	123,589	-
Depreciation	22,798	-
TOTAL NON-INSTRUCTIONAL PROGRAMS	961,335	-
TOTAL OPERATING EXPENSES	961,585	2,239,777
OPERATING INCOME(LOSS)	(575,585)	401,129
NON-OPERATING REVENUES (EXPENSES):		
Transfer to General Fund	(46,215)	-
State sources	7,964	-
Federal sources	617,117	-
Interest income	1,072	18,397
TOTAL NON-OPERATING REVENUES (EXPENSES)	579,938	18,397
Increase in net position before other financing sources:	4,353	419,526
OTHER FINANCING SOURCES:		
Capital contributions	110,468	-
Increase in net position	114,821	419,526
Net position beginning of year	(77,635)	1,097,262
Net position end of year	\$ 37,186	1,516,788

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Funds
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 297,578	-
Cash received from miscellaneous operating activities	33,923	2,611,189
Cash payments to employees for services	(401,172)	(70,595)
Cash payments to suppliers for goods or services	(480,091)	(2,196,875)
Net cash provided by (used in) operating activities	<u>(549,762)</u>	<u>343,719</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	(46,215)	-
State grants received	7,964	-
Federal grants received	544,835	-
Net cash provided by non-capital financing activities	<u>506,584</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(5,131)	-
Cash flows from investing activities:		
Interest on investments	1,072	18,397
Net increase (decrease) in cash and pooled investments	(47,237)	362,116
Cash and pooled investments beginning of year	146,257	1,381,174
Cash and pooled investments end of year	<u>\$ 99,020</u>	<u>1,743,290</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (575,585)	401,129
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Commodities consumed	71,642	-
Depreciation	22,798	-
Increase in inventories	(3,233)	-
Increase in accounts receivable	(53,136)	(29,717)
Increase in incurred but not reported claims	-	10,050
Decrease in accounts payable	(34)	(36,108)
Decrease in salary and benefits payable	(11,404)	(1,635)
Decrease in other postemployment benefits	(2,938)	-
Increase in net pension liability	50,194	-
Increase in deferred outflows of resources	(33,507)	-
Decrease in deferred inflows of resources	(13,196)	-
Decrease in unearned revenue	(1,363)	-
Net cash provided by (used in) operating activities	<u>\$ (549,762)</u>	<u>343,719</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2017, the District received Federal commodities valued at \$71,642.

During the year ended June 30, 2017, the District received capital contributions of \$110,468 from the Capital Projects: Middle School Project Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 231,245	5,265
Interest receivable	55	-
TOTAL ASSETS	<u>231,300</u>	<u>5,265</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>5,265</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 231,300</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, 2017

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 1,700
Interest income	3,077
TOTAL ADDITIONS	4,777
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	11,337
Change in net position	(6,560)
Net position beginning of year	237,860
Net position end of year	\$ 231,300

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 Floyd and Chickasaw 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 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 District also reports the following other propriety fund:

The Internal Service Fund is used to account for the District's self-insured employee health 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 – committed, 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 or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes from the current or prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and in both the government-wide and fund financial statements 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

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 acquired after July 1, 1980 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 year(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 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, 2017. 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future year(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 year or soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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. During the year ended June 30, 2017, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional area as well as in total

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2017 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, 2017, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$7,818 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor’s Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: School Nutrition	\$ 46,215
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,214,063
Debt Service	Capital Projects: Physical Plant and Equipment Levy	642,390
Capital Projects: Middle School Project	Capital Projects: Statewide Sales, Services and Use Tax	983,089
Capital Projects: Middle School Project	Capital Projects: Physical Plant and Equipment Levy	1,145,162
Total		<u>\$ 4,030,919</u>

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 District’s revenue bonded indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for payment of principal and interest on the Districts capital loan note indebtedness.

The transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund and Capital Projects: Physical Plant and Equipment Levy Fund to the Capital Projects: Middle School Project Fund

was to move money needed to cover costs required to finish the middle school construction project.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 316,000	179,801	-	495,801
Construction in progress	15,421,293	4,389,231	18,749,804	1,060,720
Total capital assets not being depreciated	<u>15,737,293</u>	<u>4,569,032</u>	<u>18,749,804</u>	<u>1,556,521</u>
Capital assets being depreciated:				
Buildings	11,984,637	18,749,803	-	30,734,440
Machinery and equipment	2,946,218	221,829	62,060	3,105,987
Total capital assets being depreciated	<u>14,930,855</u>	<u>18,971,632</u>	<u>62,060</u>	<u>33,840,427</u>
Less accumulated depreciation for:				
Buildings	7,791,596	837,932	-	8,629,528
Machinery and equipment	1,944,444	197,721	22,611	2,119,554
Total accumulated depreciation	<u>9,736,040</u>	<u>1,035,653</u>	<u>22,611</u>	<u>10,749,082</u>
Total capital assets being depreciated, net	<u>5,194,815</u>	<u>17,935,979</u>	<u>39,449</u>	<u>23,091,345</u>
Governmental activities capital assets, net	<u>\$ 20,932,108</u>	<u>22,505,011</u>	<u>18,789,253</u>	<u>24,647,866</u>
Business type activities:				
Machinery and equipment	\$ 545,547	115,599	30,738	630,408
Less accumulated depreciation	469,963	22,798	30,738	462,023
Business type activities capital assets, net	<u>\$ 75,584</u>	<u>92,801</u>	<u>-</u>	<u>168,385</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,958
Other	6,349
Support services:	
Student services	31,975
Instructional staff	7,503
Administration	6,820
Operation and maintenance of plant	23,028
Transportation	<u>108,088</u>
Unallocated depreciation	<u>197,721</u>
	<u>837,932</u>
Total governmental activities depreciation expense	<u>\$ 1,035,653</u>
Business type activities:	
Food service operations	<u>\$ 22,798</u>

Note 5. Long-Term Liability

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 13,730,000	-	865,000	12,865,000	885,000
Capital Loan Notes	2,485,000	-	610,000	1,875,000	615,000
Compensated Absences	51,197	51,563	51,197	51,563	51,563
Termination Benefits	42,652	147,044	42,652	147,044	145,870
Net Pension Liability	7,396,953	1,662,907	-	9,059,860	-
Net OPEB Liability	595,321	135,727	37,320	693,728	-
Total	\$ 24,301,123	1,997,241	1,606,169	24,692,195	1,697,433
Business Type Activities:					
Net Pension Liability	\$ 229,818	50,194	-	280,012	-
Net OPEB Liability	21,018	3,537	6,475	18,080	-
Total	\$ 250,836	53,731	6,475	298,092	-

Revenue Bonds

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated July 11, 2013			Bond Issue October 1, 2015			Total		
	Rate	Principal	Interest	Rate	Principal	Interest	Principal	Interest	Total
2018	2.00 %	\$ 560,000	220,877	2.52 %	\$ 325,000	113,022	\$ 885,000	333,899	1,218,899
2019	2.00	570,000	209,578	2.52	335,000	104,832	905,000	314,410	1,219,410
2020	2.00	580,000	198,077	2.52	340,000	96,390	920,000	294,467	1,214,467
2021	2.00	595,000	186,328	2.52	350,000	87,822	945,000	274,150	1,219,150
2022	2.20	605,000	173,722	2.52	360,000	79,002	965,000	252,724	1,217,724
2023-2027	2.4-3.15	3,265,000	621,649	2.52	1,935,000	254,772	5,200,000	876,421	6,076,421
2028-2030	3.25-3.50	2,205,000	115,522	2.52	840,000	31,878	3,045,000	147,400	3,192,400
Total		\$ 8,380,000	1,725,753		\$ 4,485,000	767,718	\$ 12,865,000	2,493,471	15,358,471

The District has pledged future statewide sales, services and use tax revenues to repay the \$10,000,000 of bonds issued in July 2013 and the \$4,800,000 of bonds issued in October 2015. 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 83% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$15,358,471. For the current year \$535,000 of principal and \$333,547 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,474,732.

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.

Capital Loan Notes

Details of the District’s June 30, 2017 Capital Loan Notes bonded indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Bond Issue Dated October 1, 2015			
	Interest Rate	Principal	Interest	Total
2018	1.20 %	\$ 615,000	26,290	641,290
2019	1.40	625,000	18,910	643,910
2020	1.60	635,000	10,160	645,160
Total		\$ 1,875,000	55,360	1,930,360

Termination Benefits

The District offered a one-year voluntary early retirement plan to its full-time licensed employees in fiscal year 2017. Eligible employees must be at least fifty-five years old and have completed at least ten 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 \$20,000 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. During the fiscal year 2017, 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 the year following retirement. At June 30, 2017, a liability of \$147,044 remained for 2017 retirement plan participants.

At June 30, 2017, the District has obligations to eight early retirement participants with a total liability of \$147,044. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$42,652.

Note 6. 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.

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, except members with service before June 30, 2012, will be the highest three-year average salary as of that date 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% 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% 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 - 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 were \$1,024,301.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$9,339,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.148409%, which was a decrease of 0.005964% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,028,056. At June 30, 2017, 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	\$ 82,546	\$ 111,468
Changes of assumptions	142,497	-
Net difference between projected and actual earnings on IPERS' investments	1,330,636	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	293,887
District contributions subsequent to the measurement date	1,024,301	-
Total	<u>\$ 2,579,980</u>	<u>\$ 405,355</u>

\$1,024,301 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, 2018. 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,	Amount
2018	\$ 99,486
2019	99,486
2020	627,062
2021	344,418
2022	(20,127)
	<u>\$ 1,150,325</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' 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>
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
District's proportionate share of the net pension liability	\$ 15,110,649	\$ 9,339,872	\$ 4,469,261

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$104,216 for legally required District contributions and \$69,438 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug and dental benefits for employees, retirees and their spouses. There are 180 active and 24 retired members in the plan. Retired 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 subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 178,976
Interest on net OPEB obligation	15,408
Adjustment to annual required contribution	(55,120)
Annual OPEB cost	<u>139,264</u>
Contributions made	<u>(43,795)</u>
Increase in net OPEB obligation	95,469
Net OPEB obligation beginning of year	616,339
Net OPEB obligation end of year	<u><u>\$ 711,808</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, 2017.

For the year ended June 30, 2017, the District contributed \$43,795 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
2015	\$ 208,308	36.1 %	\$ 483,849
2016	213,372	37.9	616,339
2017	139,264	31.4	711,808

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$1.151 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$1.151 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9.651 million and the ratio of the UAAL to covered payroll was 11.9%. As of June 30, 2017, 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 for the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2016 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 RP 2000 Annuity Mortality Table Projected to 2015, 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 8. 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, 2017, the plan balance was \$1,516,788. The incurred but unpaid claims liability of \$265,900 reported in the plan at June 30, 2017, 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 9. 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 \$683,563 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District’s restricted balance for categorical funding at June 30, 2017 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 146,801
Gifted and talented	217,146
Returning dropout and dropout prevention	110,688
Four-year-old preschool state aid	16,204
Teacher salary supplement	1,743
Successful progression for early readers	43,871
Professional development for the model core curriculum	122,814
Professional development	42,084
Market factor incentives	8,106
Total	<u>\$ 709,457</u>

Note 11. 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. 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, 2017 the District received contributions from the city of \$37,797.

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 12. New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

Note 13. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Charles City	Urban Renewal and Economic Development Projects	\$ 221,133
City of Charles City	Urban Revitalization	\$ 28,661

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, this reimbursement amounted to \$105,984.

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government’s other postemployment benefits.

Note 15. Construction Commitments

At June 30, 2017, the District has entered into contracts for the construction of a new transportation center and parking lot. \$1,060,720 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 buildings category on the District's capital assets listing.

Note 16. Extraordinary Item – Middle School Building Private Contributions

During the year ended June 30, 2017, the District received contributions from private sources totaling \$149,598 which were designated to assist with construction costs and other expenditures associated with the new middle school building.

Note 17. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2017, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas as well as in total.

Note 18. 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	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,466,901	338,650	1,707,585
Capital assets, net of accumulated depreciation	24,647,866	-	-	-
Revenue bond capitalized indebtedness	(12,865,000)	-	-	-
Capital loan note indebtedness	(1,875,000)	-	-	-
Accrued interest payable	-	(117,620)	-	-
Termination benefits payable	-	-	(147,044)	-
Income surtax	-	-	-	544,206
Internal service fund	-	-	-	1,516,788
Compensated absences	-	-	-	(51,563)
Net OPEB liability	-	-	-	(693,728)
Pension related deferred outflows	-	-	-	2,508,752
Pension related deferred inflows	-	-	-	(393,376)
Net pension liability	-	-	-	(9,059,860)
Committed for instructional support levy	-	-	-	123,698
Net position (Exhibit A)	\$ 9,907,866	1,349,281	191,606	(3,797,498)

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, 2017

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,430,099	387,072	8,817,171	8,578,005	8,578,005	239,166
Intermediate sources	19,371	-	19,371	23,000	23,000	(3,629)
State sources	11,597,760	7,964	11,605,724	11,643,340	11,643,340	(37,616)
Federal sources	950,668	617,117	1,567,785	1,345,000	1,345,000	222,785
Total revenues	20,997,898	1,012,153	22,010,051	21,589,345	21,589,345	420,706
Expenditures/Expenses:						
Instruction	12,432,908	-	12,432,908	13,125,000	13,125,000	692,092
Support services	5,710,943	250	5,711,193	5,784,550	5,784,550	73,357
Non-instructional programs	37,495	961,335	998,830	912,000	912,000	(86,830)
Other expenditures	8,558,245	-	8,558,245	6,911,181	6,911,181	(1,647,064)
Total expenditures/expenses	26,739,591	961,585	27,701,176	26,732,731	26,732,731	(968,445)
Excess (Deficiency) of revenues over (under) expenditures/expenses	(5,741,693)	50,568	(5,691,125)	(5,143,386)	(5,143,386)	(547,739)
Other financing sources, net	347,916	64,253	412,169	(13,100)	(13,100)	425,269
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(5,393,777)	114,821	(5,278,956)	(5,156,486)	(5,156,486)	(122,470)
Balances beginning of year	12,012,700	(77,635)	11,935,065	10,092,980	10,092,980	1,842,085
Balances end of year	\$ 6,618,923	37,186	6,656,109	4,936,494	4,936,494	1,719,615

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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.

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 ended June 30, 2017, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas as well as in total.

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

	2017	2016	2015
District's proportion of the net pension liability	0.148409%	0.154373%	0.160140%
District's proportionate share of the net pension liability	\$ 9,339,872	7,626,771	6,350,982
District's covered-employee payroll	\$ 10,659,339	10,575,946	10,505,084
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.62%	72.11%	60.46%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 1,024,301	951,879	944,432	938,104	884,092	786,836	670,209	673,693	622,114	549,639
Contributions in relation to the statutorily required contribution	\$ (1,024,301)	(951,879)	(944,432)	(938,104)	(884,092)	(786,836)	(670,209)	(673,693)	(622,114)	(549,639)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,470,336	10,659,339	10,575,946	10,505,084	10,197,140	9,750,136	9,643,295	9,693,424	9,797,071	9,084,942
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

Legislation enacted 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.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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 (unfunded actuarial liabilities) 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.

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	9,254	16.0
2016	July 1, 2014	-	1,430	1,430	0.0	9,226	15.5
2017	July 1, 2016		1,151	1,151	0.0	9,651	11.9

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Charles City Community School District

Supplementary Information

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 334,996	254,711	589,707	673,239	1,262,946
Receivables:					
Property tax:					
Delinquent	3,909	-	3,909	-	3,909
Succeeding year	650,000	-	650,000	-	650,000
Accounts	-	5,884	5,884	-	5,884
Interest	-	-	-	6,184	6,184
TOTAL ASSETS	\$ 988,905	260,595	1,249,500	679,423	1,928,923
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 255	-	255	-	255
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	650,000	-	650,000	-	650,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	679,423	679,423
Management levy purposes	338,650	-	338,650	-	338,650
Student activities	-	260,595	260,595	-	260,595
Total fund balances	338,650	260,595	599,245	679,423	1,278,668
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 988,905	260,595	1,249,500	679,423	1,928,923

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, 2017

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 340,265	-	340,265	-	340,265
Other	32,270	319,533	351,803	10,272	362,075
State sources	12,258	-	12,258	-	12,258
TOTAL REVENUES	384,793	319,533	704,326	10,272	714,598
EXPENDITURES:					
Current:					
Instruction					
Regular	133,518	-	133,518	-	133,518
Other	-	302,728	302,728	-	302,728
Support services:					
Student	22,737	-	22,737	-	22,737
Instructional staff	4,889	-	4,889	-	4,889
Administration	19,906	306	20,212	-	20,212
Operation and maintenance of plant	130,194	2,776	132,970	-	132,970
Transportation	34,076	5,244	39,320	-	39,320
Non-instructional programs:					
Food service operations	14,873	-	14,873	-	14,873
Long-term debt:					
Principal	-	-	-	1,475,000	1,475,000
Interest and fiscal charges	-	-	-	385,328	385,328
TOTAL EXPENDITURES	360,193	311,054	671,247	1,860,328	2,531,575
Excess (Deficiency) of revenues over (under) expenditures	24,600	8,479	33,079	(1,850,056)	(1,816,977)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	1,856,453	1,856,453
Change in fund balances	24,600	8,479	33,079	6,397	39,476
Fund balances beginning of year	314,050	252,116	566,166	673,026	1,239,192
Fund balances end of year	\$ 338,650	260,595	599,245	679,423	1,278,668

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,943,602	921,254	2,864,856
Receivables:			
Property tax:			
Delinquent	-	8,801	8,801
Succeeding year	-	872,798	872,798
Income surtax	-	90,701	90,701
Due from other governments	121,917	-	121,917
TOTAL ASSETS	\$ 2,065,519	1,893,554	3,959,073
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 191,929	4,130	196,059
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	872,798	872,798
Income surtax	-	90,701	90,701
Total deferred inflows of resources	-	963,499	963,499
Fund balances:			
Restricted for:			
Debt service	787,478	-	787,478
School infrastructure	1,086,112	-	1,086,112
Physical plant and equipment	-	925,925	925,925
Total fund balances	1,873,590	925,925	2,799,515
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,065,519	1,893,554	3,959,073

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Middle School Project	
REVENUES:				
Local sources:				
Local tax	\$ -	922,071	-	922,071
Other	22,094	19,576	90,958	132,628
State sources	1,466,592	43,199	-	1,509,791
TOTAL REVENUES	1,488,686	984,846	90,958	2,564,490
EXPENDITURES:				
Current:				
Support services:				
Administration	19,801	-	-	19,801
Operation and maintenance of plant	-	47,133	-	47,133
Capital outlay	1,567,021	401,117	4,043,216	6,011,354
Long-term Debt:				
Fiscal charges	3,000	-	-	3,000
TOTAL EXPENDITURES	1,589,822	448,250	4,043,216	6,081,288
Excesss (Deficiency) of revenues over (under) expenditures	(101,136)	536,596	(3,952,258)	(3,516,798)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	2,128,251	2,128,251
Transfer out	(2,197,152)	(1,787,552)	-	(3,984,704)
Middle school project private contributions (see note 16)	-	-	149,598	149,598
TOTAL OTHER FINANCING SOURCES (USES)	(2,197,152)	(1,787,552)	2,277,849	(1,706,855)
Change in fund balances	(2,298,288)	(1,250,956)	(1,674,409)	(5,223,653)
Fund balances beginning of year	4,171,878	2,176,881	1,674,409	8,023,168
Fund balances end of year	\$ 1,873,590	925,925	-	2,799,515

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, 2017

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund/ Intrafund Transfers	Balance End of Year
COMET DRAMA	\$ 10,796	9,406	9,079	11,866	22,989
SPEECH CLUB	1,073	810	851	(1,032)	-
GENERAL VOCAL ACTIVITY	20,975	973	21,755	3	196
HS MUSICAL	5,747	8,509	13,315	(941)	-
MIDDLE SCHOOL MUSICAL	10,214	507	1,135	(9,586)	-
MARCHING BAND	10,010	18,959	12,060	229	17,138
JAZZ BAND	167	249	293	2	125
INSTRUMENTAL MUSIC	683	1,821	1,378	15	1,141
HS ORCHESTRA	6,847	175	4,878	29	2,173
MS BAND/ORCHESTRA	1,133	11,433	4,529	107	8,144
ATHLETIC FUND	54,859	89,885	82,524	762	62,982
GIRLS TRACK	1,407	-	-	19	1,426
GIRLS CROSS COUNTRY	473	-	-	7	480
BOYS CROSS COUNTRY	1,286	1,142	-	33	2,461
SPORTSMAN'S PARK	12,611	14,867	3,976	(10,720)	12,782
CONCESSION STAND	47,088	54,543	67,542	11,480	45,569
BOWLING	80	800	832	1	49
POM SQUAD	1,060	3,855	3,159	24	1,780
BOYS BASKETBALL	819	844	400	17	1,280
FOOTBALL CLUB	240	9	-	3	252
BASEBALL CLUB	9,192	880	2,906	97	7,263
BOYS TRACK	794	-	-	11	805
BOYS GOLF	2,250	-	-	30	2,280
HS WRESTLING	229	-	-	3	232
GIRLS BASKETBALL	4,617	-	400	57	4,274
VOLLEYBALL FUND	558	-	231	4	331
SOFTBALL	1,100	2,550	1,470	30	2,210
GIRLS TENNIS	342	-	300	1	43
GIRLS GOLF	38	-	-	1	39
GIRLS SWIMMING CLUB	268	-	-	4	272
HS CHEERLEADERS	5,243	2,231	1,779	77	5,772
ANNUAL	6,902	13,104	13,152	93	6,947
ART CLUB	360	3	-	5	368
INFORMATION TECH CLUB	886	-	60	11	837
FUTURE BUSINESS LEADERS	1,041	5,679	5,138	21	1,603
FFA	5,495	52,057	45,748	160	11,964
GERMAN CLUB	1,155	9,760	2,892	109	8,132
SCHOOL IMPROVEMENT ASSISTANCE	8,650	1,868	1,030	2,060	11,548
CLASS OF 2016	2,006	-	-	(2,006)	-
CLASS OF 2017	3,324	150	435	41	3,080
CLASS OF 2018	101	5,202	3,798	20	1,525
CLASS OF 2019	-	-	-	101	101
INDUSTRIAL TECHNOLOGY	806	-	-	11	817
FCS CLUB	1,203	1,120	1,199	15	1,139
FCCLA	2,145	-	-	29	2,174
SOCIALS STUDIES TRIP	88	-	-	1	89
MS ANNUAL	3,026	1,698	1,733	40	3,031
MS STUDENT COUNCIL	2,729	1,064	1,077	36	2,752
INTEREST	-	3,380	-	(3,380)	-
TOTALS	<u>\$ 252,116</u>	<u>319,533</u>	<u>311,054</u>	<u>-</u>	<u>260,595</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2017

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 1,720,501	22,789	1,743,290
Accounts receivable	62,187	-	62,187
TOTAL ASSETS	1,782,688	22,789	1,805,477
LIABILITIES			
Salaries and benefits payable	-	22,789	22,789
Incurred but not reported claims	265,900	-	265,900
TOTAL LIABILITIES	265,900	22,789	288,689
NET POSITION	\$ 1,516,788	-	1,516,788

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2017

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,571,946	68,960	2,640,906
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	2,170,817	68,960	2,239,777
OPERATING INCOME	401,129	-	401,129
NON-OPERATING REVENUES:			
Interest income	18,397	-	18,397
Change in net position	419,526	-	419,526
Net position beginning of year	1,097,262	-	1,097,262
Net position end of year	\$ 1,516,788	-	1,516,788

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2017

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,542,229	68,960	2,611,189
Cash payments to employees for services	-	(70,595)	(70,595)
Cash payments to suppliers for goods or services	(2,196,875)	-	(2,196,875)
Net cash provided by (used in) operating activities	<u>345,354</u>	<u>(1,635)</u>	<u>343,719</u>
Cash flows from investing activities:			
Interest on investments	18,397	-	18,397
Net increase (decrease) in cash and pooled investments	363,751	(1,635)	362,116
Cash and pooled investments beginning of year	<u>1,356,750</u>	<u>24,424</u>	<u>1,381,174</u>
Cash and pooled investments end of year	<u>\$ 1,720,501</u>	<u>22,789</u>	<u>1,743,290</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 401,129	-	401,129
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Increase in accounts receivable	(29,717)	-	(29,717)
Increase in incurred but not reported claims	10,050	-	10,050
Decrease in accounts payable	(36,108)	-	(36,108)
Decrease in salaries and benefits payable	-	(1,635)	(1,635)
Net cash provided by (used in) operating activities	<u>\$ 345,354</u>	<u>(1,635)</u>	<u>343,719</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, 2017

	Private Purpose Trust - Scholarship									
	Davis	Debes	Hagman	Koenigsfeld	Koebrick	Santee	Aspenwal	Rodenbeck	Miscellaneous	Total
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Annual	
ASSETS										
Cash and pooled investments	\$ 35,621	25,121	15,129	10,941	126,618	12,222	3,899	107	1,587	231,245
Interest receivable	-	23	17	15	-	-	-	-	-	55
TOTAL ASSETS	35,621	25,144	15,146	10,956	126,618	12,222	3,899	107	1,587	231,300
LIABILITIES	-	-	-	-	-	-	-	-	-	-
NET POSITION										
Held in trust for scholarships	\$ 35,621	25,144	15,146	10,956	126,618	12,222	3,899	107	1,587	231,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	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	471	362	219	133	1,655	196	28	-	-	13	3,077
TOTAL ADDITIONS	471	362	219	133	1,655	196	28	-	-	1,713	4,777
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	470	325	195	2,500	2,000	195	4,652	-	-	1,000	11,337
Change in net position	1	37	24	(2,367)	(345)	1	(4,624)	-	-	713	(6,560)
Net position beginning of year	35,620	25,107	15,122	13,323	126,963	12,221	4,624	3,899	107	874	237,860
Net position end of year	\$ 35,621	25,144	15,146	10,956	126,618	12,222	-	3,899	107	1,587	231,300

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, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 5,105	28,714	28,554	5,265
LIABILITIES				
Due to other groups	\$ 5,105	28,714	28,554	5,265

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 7,279,231	7,275,287	7,026,606	6,721,863	7,551,289	7,869,789	7,375,092	6,441,571	6,168,489	5,131,442
Tuition	327,737	311,073	282,712	304,475	311,436	374,700	309,235	326,961	348,519	312,904
Other	823,131	948,535	662,158	1,005,600	671,799	713,205	811,234	667,496	597,161	1,685,467
Intermediate sources	19,371	20,213	22,582	12,009	-	-	-	-	-	-
State sources	11,597,760	11,080,298	11,198,197	11,000,033	9,382,683	9,028,850	8,549,263	7,668,261	8,972,837	8,865,233
Federal sources	950,668	956,039	726,779	657,814	665,053	685,712	1,292,799	1,881,828	857,927	693,981
Total	\$ 20,997,898	20,591,445	19,919,034	19,701,794	18,582,260	18,672,256	18,337,623	16,986,117	16,944,933	16,689,027
Expenditures:										
Instruction:										
Regular	\$ 7,071,573	6,803,086	6,770,679	6,420,359	6,272,493	6,580,888	5,909,452	5,989,758	5,709,435	5,773,206
Special	2,919,574	2,514,515	2,622,239	2,736,368	2,752,089	2,581,622	2,532,775	2,632,367	2,735,995	2,463,608
Other	2,441,761	2,352,954	2,453,768	2,485,491	2,480,387	2,492,778	2,445,630	2,622,592	2,083,600	1,889,948
Support services:										
Student	542,633	653,273	659,572	721,069	569,054	522,673	515,715	535,423	517,097	493,054
Instructional staff	1,116,179	644,299	868,333	542,806	584,254	669,982	794,983	1,006,347	643,351	619,841
Administration	2,032,205	1,912,393	1,834,464	1,652,714	1,659,598	1,558,923	1,458,075	1,481,525	1,624,194	1,626,294
Operation and maintenance of plant	1,486,567	1,562,812	1,516,642	1,433,184	1,222,582	1,205,821	1,187,807	1,219,740	1,217,087	1,271,245
Transportation	533,359	683,236	704,888	552,992	483,613	533,537	542,626	489,317	468,449	472,789
Non-instructional programs	37,495	11,162	10,067	9,545	8,582	7,942	10,193	10,470	10,372	28,421
Capital outlay	6,011,354	14,420,049	1,362,742	367,744	427,902	1,926,871	646,726	842,263	707,028	834,063
Long-term debt:										
Principal	1,475,000	1,155,000	535,000	-	-	-	-	250,000	240,000	225,000
Interest and fiscal charges	388,328	354,973	253,527	122,248	-	-	-	13,750	26,710	40,537
Other expenditures:										
AEA flow-through	683,563	695,554	696,517	669,154	627,053	636,252	701,884	698,523	600,931	577,604
Total	\$ 26,739,591	33,763,306	20,288,438	17,713,674	17,087,607	18,717,289	16,745,866	17,792,075	16,584,249	16,315,610

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2017

GRANTOR/PROGRAM	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 17	\$ 96,743
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 17	512,502 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 17	7,872
			<u>617,117</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 17	401,945
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 17	1,000
SPECIAL EDUCATION - GRANTS TO STATES -HIGH COST CLAIM	84.027	FY 17	4,323
			<u>5,323 **</u>
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANT	84.367	FY 17	76,426
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 17	3,016
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 17	81,246 **
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 17	14,977
STATE OF IOWA:			
REHABILITATION SERVICES VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	FY 17	26,766
U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL EMERGENCY MANAGEMENT AGENCY:			
STATE OF IOWA:			
DISASTER GRANTS - PUBLIC ASSISTANCE	97.036	FY17	11,852
TOTAL			<u>\$ 1,238,668</u>

* Includes \$71,642 of non-cash awards

** Total for Special Education -Grants to States is \$86,569.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Charles City Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Charles City Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Charles City Community School District.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - Charles City Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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 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, 2017, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2018.

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 have not been identified.

A deficiency in internal control 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Charles City Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 4, 2018
Newton, Iowa

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Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 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, 2017.

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 each 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Charles City Community School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charles City Community School District's internal control over compliance.

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

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 4, 2018
Newton, Iowa

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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 did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
 - 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 \$750,000.
- (i) Charles City Community School District qualified as a low-risk auditee.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-17 Certified Budget - Expenditures for the year ended June 30, 2017 exceeded the certified budget amounts in the non-instructional programs and other expenditures functional areas as well as in total.

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

Response - The non-instructional programs (Nutrition Fund) and other expenditures functional areas were over budget due to the construction and equipment purchases necessary for the new Middle School building. See note 12. Construction Commitments.

Conclusion - Response accepted.

IV-B-17 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-17 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-17 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-17 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 ensure that the coverage is adequate for current operations.

IV-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-17 Certified Enrollment - No variances regarding the certified enrollment data certified to the Iowa Department of Education.

IV-H-17 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-17 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-17 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-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,171,878
Revenues:		
Sales tax revenues	\$ 1,466,592	
Other local revenues	22,094	1,488,686
Total revenues		<u>1,488,686</u>
Expenditures/transfers out:		
School infrastructure construction	1,313,061	
Land purchased	160,000	
Equipment	8,086	
Other	108,675	
Transfers to other funds		
Debt service fund	1,214,063	
Capital Projects: Middle School Project	983,089	3,786,974
Ending balance		<u>\$ 1,873,590</u>

For the year ended June 30, 2017 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.