

CHARLES CITY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

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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>		
(Before September 2017 Election)		
Scott Dight	President	2017
Jason Walker	Vice President	2019
James Frisbie	Board Member	2017
Lorraine Winterink	Board Member	2017
Robin Macomber	Board Member	2019
(After September 2017 Election)		
Jason Walker	President	2019
Scott Dight	Vice President	2021
Joshua Mack	Board Member	2021
Missy Freund	Board Member	2021
Robin Macomber	Board Member	2019
<u>School Officials</u>		
Dr. Dan Cox	Superintendent	2018
Terri O' Brien	District Treasurer/Secretary/ Business Manager	2018
Ahlers Law Firm	Attorney	2018

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Certified Public Accountants
(a professional corporation)
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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, 2018, 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 as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Charles City Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes 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 five years ended June 30, 2017 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 (which are not presented herein) and expressed an unmodified opinion 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 December 21, 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Charles City Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 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, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities and business type activities were restated by \$49,186 and \$7,455, respectively, to retroactively report the increase/decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available (see note 15).
- General Fund revenues decreased from \$17,917,128 in fiscal year 2017 to \$17,626,185 in fiscal year 2018, while General Fund expenditures increased from \$18,126,728 in fiscal year 2017 to \$18,153,271 in fiscal year 2018. The District's General Fund balance decreased from \$2,540,740 at June 30, 2017 to \$2,013,654 at June 30, 2018, a 20.75% decrease.
- General Fund revenue decreased 1.1% mainly attributable to a decrease in local sources received. General Fund expenditures increased 0.1% compared to prior year.
- At June 30, 2018, the District's solvency ratio was 8.27% as compared to 9.53% at June 30, 2017.

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 Changes in the District's Total OPEB Liability, Related Ratios and Notes.

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-1
Charles City Community School District Annual Financial Report

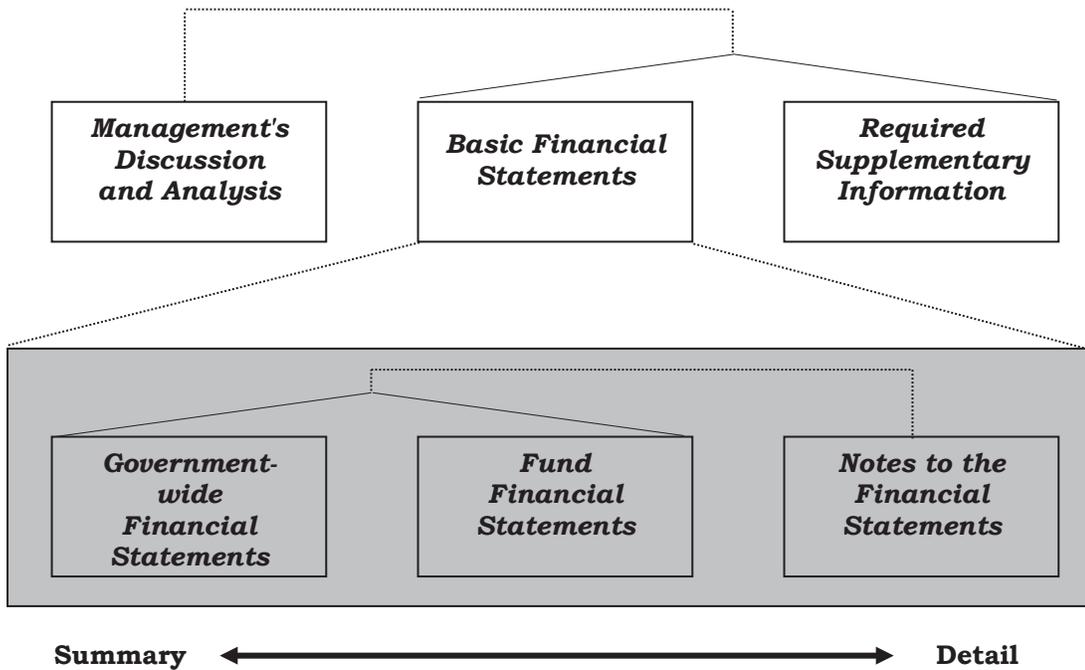


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food 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's Internal Service Fund, another type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. 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 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, 2018 compared to June 30, 2017.

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,	
	2018	2017 (Not restated)	2018	2017 (Not restated)	2018	2017 (Not restated)	2017-18
Current and other assets	\$ 17,694,158	17,709,370	178,515	170,314	17,872,673	17,879,684	-0.04%
Capital assets	24,213,459	24,647,866	145,852	168,385	24,359,311	24,816,251	-1.84%
Total assets	41,907,617	42,357,236	324,367	338,699	42,231,984	42,695,935	-1.09%
Deferred outflows of resources	3,031,791	2,508,752	78,839	71,228	3,110,630	2,579,980	20.57%
Long-term liabilities	24,296,841	24,692,195	276,412	298,092	24,573,253	24,990,287	-1.67%
Other liabilities	2,334,563	2,343,611	44,988	62,670	2,379,551	2,406,281	-1.11%
Total liabilities	26,631,404	27,035,806	321,400	360,762	26,952,804	27,396,568	-1.62%
Deferred inflows of resources	7,338,676	7,196,838	10,789	11,979	7,349,465	7,208,817	1.95%
Net position:							
Net investment in capital assets	10,973,459	9,907,866	145,852	168,385	11,119,311	10,076,251	10.35%
Restricted	4,557,313	4,522,976	-	-	4,557,313	4,522,976	0.76%
Unrestricted	(4,561,444)	(3,797,498)	(74,835)	(131,199)	(4,636,279)	(3,928,697)	-18.01%
Total net position	\$ 10,969,328	10,633,344	71,017	37,186	11,040,345	10,670,530	3.47%

Prior to restatement, the District's total net position increased by 3.47%, or \$369,815, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position 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 increased \$34,337, or 0.76%, from the prior year. The increase in restricted fund balance is due the increase in fund balance of the Management Levy Fund from the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$707,582, or 18.01%. This decrease in unrestricted net position was due in part to the decrease in unassigned General Fund balance compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2018	2017 (Not restated)	2018	2017 (Not restated)	2018	2017 (Not restated)	2017-18
Revenues:							
Program revenues:							
Charges for service	\$ 883,141	727,737	345,424	352,077	1,228,565	1,079,814	13.78%
Operating grants, contributions and restricted interest	2,153,933	1,942,486	648,889	625,081	2,802,822	2,567,567	9.16%
Capital grants, contributions and restricted interest	122,600	-	-	-	122,600	-	100.00%
General revenues:							
Property tax	6,673,723	6,650,654	-	-	6,673,723	6,650,654	0.35%
Income surtax	551,561	555,082	-	-	551,561	555,082	-0.63%
Statewide sales, services and use tax	1,409,410	1,466,592	-	-	1,409,410	1,466,592	-3.90%
Unrestricted state grants	9,137,240	9,215,249	-	-	9,137,240	9,215,249	-0.85%
Unrestricted interest income	142,558	109,980	3,025	1,072	145,583	111,052	31.09%
Other	167,403	256,623	432	33,923	167,835	290,546	-42.23%
Total revenues	21,241,569	20,924,403	997,770	1,012,153	22,239,339	21,936,556	1.38%
Program expenses:							
Instruction	12,573,585	13,103,903	-	-	12,573,585	13,103,903	-4.05%
Support services	6,364,264	6,018,944	-	250	6,364,264	6,019,194	5.73%
Non-instructional programs	45,180	37,495	914,811	961,335	959,991	998,830	-3.89%
Other expenses	1,929,953	1,903,306	-	-	1,929,953	1,903,306	1.40%
Total expenses	20,912,982	21,063,648	914,811	961,585	21,827,793	22,025,233	-0.90%
Excess (deficiency) of revenues over (under) expenses	328,587	(139,245)	82,959	50,568	411,546	(88,677)	-564.10%
Transfers	56,583	(64,253)	(56,583)	64,253	-	-	0.00%
Changes in net position before extraordinary item	385,170	(203,498)	26,376	114,821	411,546	(88,677)	-564.10%
Extraordinary item:							
Athletic complex project private contributions	-	149,598	-	-	-	149,598	-100.00%
Change in net position	385,170	(53,900)	26,376	114,821	411,546	60,921	575.54%
Net position beginning of year, as restated	10,584,158	10,687,244	44,641	(77,635)	10,628,799	10,609,609	0.18%
Net position end of year	\$ 10,969,328	10,633,344	71,017	37,186	11,040,345	10,670,530	3.47%

In fiscal year 2018, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 83.67% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.65% of the revenue from business type activities. The District's total revenues were approximately \$22.2 million of which approximately \$21.2 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 1.38% increase in revenues and a 0.90% decrease in expenses. The primary reason for this increase in revenues was an increase in operating grants, contributions and restricted interest received over the prior year. The decrease in expenses is related to a decrease in instruction costs incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$21,241,569 and expenses were \$20,912,982 for the year ended June 30, 2018.

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, 2018 compared to those expenses the year ended June 30, 2017.

	Total Cost of Services			Net Cost of Services		
	2018	2017 (Not restated)	Change 2017-18	2018	2017 (Not restated)	Change 2017-18
Instruction	\$ 12,573,585	13,103,903	-4.05%	10,435,622	11,260,272	-7.32%
Support services	6,364,264	6,018,944	5.74%	6,043,918	5,875,915	2.86%
Non-instructional programs	45,180	37,495	20.50%	45,180	37,495	20.50%
Other expenses	1,929,953	1,903,306	1.40%	1,228,588	1,219,743	0.73%
Totals	\$ 20,912,982	21,063,648	-0.72%	17,753,308	18,393,425	-3.48%

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$883,141.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$2,276,533.
- The net cost of governmental activities was financed with \$6,673,723 in property tax, \$551,561 in income surtax, \$1,409,410 in statewide sales, services and use tax, \$9,137,240 in unrestricted state grants, \$142,558 in interest income, and \$167,403 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2018 were \$997,770, a 1.42% decrease from the prior year, and expenses were \$914,811, a 4.86% decrease 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 balances of \$6,446,866, which is less than last year's ending fund balances of \$6,618,923. The decrease in combined fund balances is mainly attributable to the decrease in fund balance of the General Fund from the prior year due to decreased local source revenues.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,540,740 at June 30, 2017 to \$2,013,654 at June 30, 2018. Over half of the decrease was attributable to a decrease in categorical and committed fund balances at June 30, 2018 or by \$276,409. The unassigned fund balance decreased \$250,677. Revenues decreased from the prior year primarily due to decreased local sources received. Expenditures increased by 0.1% compared to the prior year.
- The Capital Projects Fund balance increased from \$2,799,515 at June 30, 2017 to \$2,880,235 at June 30, 2018. The increase in Capital Projects Fund balance is primarily due to decreased expenditures with the completion of District's transportation center project.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$44,641 restated as of July 1, 2017, to \$71,017 at June 30, 2018, representing an increase of 59.08%. The increase in net position is primarily due to a reduction in expenses combined with an increase in federal reimbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, Charles City Community School District amended its budget one time to reflect additional expenditures associated with categorical funding carryover spending.

The District's revenues were \$93,183 more than budgeted revenues, a variance of 0.42%. The most significant variance resulted from the District receiving more from local and federal 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested approximately \$24.36 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.84% from last year. More detailed information about capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$1,105,764.

The original cost of the District's capital assets was approximately \$36.39 million. Governmental activities account for approximately \$35.76 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 construction in progress category. The District's construction in progress totaled \$0 at June 30, 2018, compared to \$1,060,720 at June 30, 2017. This decrease resulted from completion of the District's transportation center during fiscal year 2018.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-18
Land	\$ 495,801	495,801	-	-	495,801	495,801	0.00%
Construction in progress	-	1,060,720	-	-	-	1,060,720	-100.00%
Buildings	22,690,352	22,104,912	-	-	22,690,352	22,104,912	2.65%
Machinery and equipment	1,027,306	986,433	145,852	168,385	1,173,158	1,154,818	1.59%
Total	\$ 24,213,459	24,647,866	145,852	168,385	24,359,311	24,816,251	-1.84%

Long-Term Debt

At June 30, 2018, the District had \$13,240,000 in total long-term debt outstanding. This represents a decrease of 10.18% from last year. (See Figure A-7) Additional information about the District's long-term debt is available in Note 6 to the financial statements.

The District had outstanding revenue bonds of \$11,980,000 at June 30, 2018, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding capital loan notes of \$1,260,000 at June 30, 2018, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

Figure A-7			
Outstanding Long-Term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	2018	2017	2017-18
Revenue bonds	\$ 11,980,000	12,865,000	-6.88%
Capital loan notes	1,260,000	1,875,000	-32.80%
Totals	\$ 13,240,000	14,740,000	-10.18%

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 2018 enrollment increased 39.97 students. This increase in enrollment will positively impact the District's funding for fiscal year 2019-20.
- Over the course of 2018, 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 planned within the next two years.
- The District has received a letter of intent to purchase the North Grand Building (former middle school) from a developer. A formal purchase agreement, and developmental agreement are being completed. A sale of the NGB may occur before the end of calendar year 2019.

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, 2018

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,699,467	175,617	9,875,084
Receivables:			
Property tax:			
Delinquent	132,868	-	132,868
Succeeding year	6,929,308	-	6,929,308
Income surtax	538,675	-	538,675
Accounts	6,879	365	7,244
Internal balances	6,215	(6,215)	-
Due from other governments	380,746	6,284	387,030
Inventories	-	2,464	2,464
Capital assets not being depreciated:			
Land and construction in progress	495,801	-	495,801
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	23,717,658	145,852	23,863,510
TOTAL ASSETS	41,907,617	324,367	42,231,984
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	3,031,791	78,839	3,110,630
LIABILITIES			
Accounts payable	369,117	3,351	372,468
Salaries and benefits payable	1,584,106	24,681	1,608,787
Incurred but not reported claims	270,550	-	270,550
Accrued interest payable	110,790	-	110,790
Unearned revenue	-	16,956	16,956
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	905,000	-	905,000
Capital loan note payable	625,000	-	625,000
Termination benefits payable	264,338	-	264,338
Compensated absences payable	38,824	-	38,824
Portion due after one year:			
Revenue bonds payable	11,075,000	-	11,075,000
Capital loan note payable	635,000	-	635,000
Termination benefits payable	57,517	-	57,517
Net pension liability	9,960,914	265,897	10,226,811
Total OPEB liability	735,248	10,515	745,763
TOTAL LIABILITIES	26,631,404	321,400	26,952,804
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	6,929,308	-	6,929,308
Pension related deferred inflows	398,185	10,629	408,814
OPEB related deferred inflows	11,183	160	11,343
TOTAL DEFERRED INFLOWS OF RESOURCES	7,338,676	10,789	7,349,465
NET POSITION			
Net investment in capital assets	10,973,459	145,852	11,119,311
Restricted for:			
Categorical funding	556,746	-	556,746
Debt service	1,362,426	-	1,362,426
School infrastructure	1,094,898	-	1,094,898
Physical plant and equipment	997,859	-	997,859
Management levy purposes	277,578	-	277,578
Student activities	267,806	-	267,806
Unrestricted	(4,561,444)	(74,835)	(4,636,279)
TOTAL NET POSITION	\$ 10,969,328	71,017	11,040,345

SEE NOTES TO FINANCIAL STATEMENTS.

**CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
						Total	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,861,175	275,527	109,530	-	(6,476,118)	-	(6,476,118)
Special	2,978,408	92,910	547,172	-	(2,338,326)	-	(2,338,326)
Other	2,734,002	445,409	667,415	-	(1,621,178)	-	(1,621,178)
	<u>12,573,585</u>	<u>813,846</u>	<u>1,324,117</u>	<u>-</u>	<u>(10,435,622)</u>	<u>-</u>	<u>(10,435,622)</u>
Support services:							
Student	538,321	-	27,537	-	(510,784)	-	(510,784)
Instructional staff	1,454,318	-	20,369	-	(1,433,949)	-	(1,433,949)
Administration	2,117,847	-	624	-	(2,117,223)	-	(2,117,223)
Operation and maintenance of plant	1,626,851	37,797	-	122,600	(1,466,454)	-	(1,466,454)
Transportation	626,927	31,498	79,921	-	(515,508)	-	(515,508)
	<u>6,364,264</u>	<u>69,295</u>	<u>128,451</u>	<u>122,600</u>	<u>(6,043,918)</u>	<u>-</u>	<u>(6,043,918)</u>
Non-instructional programs:							
Food service operations	18,630	-	-	-	(18,630)	-	(18,630)
Other enterprise operations	26,550	-	-	-	(26,550)	-	(26,550)
	<u>45,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,180)</u>	<u>-</u>	<u>(45,180)</u>
Long-term debt interest	356,360	-	-	-	(356,360)	-	(356,360)
Other expenditures:							
AEA flowthrough	701,365	-	701,365	-	-	-	-
Depreciation(unallocated)*	872,228	-	-	-	(872,228)	-	(872,228)
	<u>1,573,593</u>	<u>-</u>	<u>701,365</u>	<u>-</u>	<u>(872,228)</u>	<u>-</u>	<u>(872,228)</u>
Total governmental activities	<u>20,912,982</u>	<u>883,141</u>	<u>2,153,933</u>	<u>122,600</u>	<u>(17,753,308)</u>	<u>-</u>	<u>(17,753,308)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	914,811	345,424	648,889	-	-	79,502	79,502
Total	<u>\$ 21,827,793</u>	<u>1,228,565</u>	<u>2,802,822</u>	<u>122,600</u>	<u>(17,753,308)</u>	<u>79,502</u>	<u>(17,673,806)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 5,825,050	-	5,825,050
Capital outlay					848,673	-	848,673
Income surtax					551,561	-	551,561
Statewide sales, services and use tax					1,409,410	-	1,409,410
Unrestricted state grants					9,137,240	-	9,137,240
Unrestricted investment earnings					142,558	3,025	145,583
Other					167,403	432	167,835
Transfers					56,583	(56,583)	-
Total general revenues and transfers					<u>18,138,478</u>	<u>(53,126)</u>	<u>18,085,352</u>
Change in net position					385,170	26,376	411,546
Net position beginning of year, as restated					<u>10,584,158</u>	<u>44,641</u>	<u>10,628,799</u>
Net position end of year					<u>\$ 10,969,328</u>	<u>71,017</u>	<u>11,040,345</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 3,452,644	2,818,054	1,546,124	7,816,822
Receivables:				
Property tax:				
Delinquent	103,671	16,426	12,771	132,868
Succeeding year	5,742,144	887,164	300,000	6,929,308
Income surtax	448,896	89,779	-	538,675
Accounts	6,879	-	-	6,879
Due from other funds	6,215	-	-	6,215
Due from other governments	261,367	119,379	-	380,746
TOTAL ASSETS	\$ 10,021,816	3,930,802	1,858,895	15,811,513
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 263,111	73,624	5,918	342,653
Salaries and benefits payable	1,554,011	-	-	1,554,011
Total liabilities	1,817,122	73,624	5,918	1,896,664
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,742,144	887,164	300,000	6,929,308
Income surtax	448,896	89,779	-	538,675
Total deferred inflows of resources	6,191,040	976,943	300,000	7,467,983
Fund balances:				
Restricted for:				
Categorical funding	556,746	-	-	556,746
Debt service	-	787,478	685,738	1,473,216
School infrastructure	-	1,094,898	-	1,094,898
Physical plant and equipment	-	997,859	-	997,859
Management levy purposes	-	-	599,433	599,433
Student activities	-	-	267,806	267,806
Unassigned	1,456,908	-	-	1,456,908
Total fund balances	2,013,654	2,880,235	1,552,977	6,446,866
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,021,816	3,930,802	1,858,895	15,811,513

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, 2018

Total fund balances of governmental funds (page 22) \$ 6,446,866

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 the governmental funds. 24,213,459

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. (110,790)

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 1,555,536

Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds. 538,675

Pension and OPEB 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	\$ 3,031,791	
Deferred inflows of resources	<u>(409,368)</u>	2,622,423

Long-term liabilities, including revenue bonds payable, capital loan notes payable, termination benefits payable, compensated absences payable, total OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (24,296,841)

Net position of governmental activities (page 20) \$ 10,969,328

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, 2018

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,651,200	941,522	638,093	7,230,815
Tuition	317,258	-	-	317,258
Other	391,162	166,308	485,765	1,043,235
Intermediate sources	14,744	-	-	14,744
State sources	10,062,744	1,443,708	21,929	11,528,381
Federal sources	1,112,667	-	-	1,112,667
TOTAL REVENUES	17,549,775	2,551,538	1,145,787	21,247,100
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,567,354	-	235,836	6,803,190
Special	2,790,973	-	-	2,790,973
Other	2,280,019	-	419,306	2,699,325
	11,638,346	-	655,142	12,293,488
Support services:				
Student	567,730	-	2,257	569,987
Instructional staff	1,185,260	-	4,008	1,189,268
Administration	2,104,988	-	20,034	2,125,022
Operation and maintenance of plant	1,313,641	91,437	127,924	1,533,002
Transportation	615,391	-	35,650	651,041
	5,787,010	91,437	189,873	6,068,320
Non-instructional programs:				
Food service operations	-	-	18,630	18,630
Other enterprise operations	26,550	-	-	26,550
	26,550	-	18,630	45,180
Capital outlay	-	524,024	-	524,024
Long-term debt:				
Principal	-	-	1,500,000	1,500,000
Interest and fiscal charges	-	3,000	360,190	363,190
	-	3,000	1,860,190	1,863,190
Other expenditures:				
AEA flowthrough	701,365	-	-	701,365
TOTAL EXPENDITURES	18,153,271	618,461	2,723,835	21,495,567
Excess (Deficiency) of revenues over (under) expenditures	(603,496)	1,933,077	(1,578,048)	(248,467)
OTHER FINANCING SOURCES (USES):				
Transfer in	56,583	122,600	1,852,357	2,031,540
Transfer out	-	(1,974,957)	-	(1,974,957)
Insurance proceeds	12,593	-	-	12,593
Sale of equipment	7,234	-	-	7,234
TOTAL OTHER FINANCING SOURCES (USES)	76,410	(1,852,357)	1,852,357	76,410
Change in fund balances	(527,086)	80,720	274,309	(172,057)
Fund balances beginning of year	2,540,740	2,799,515	1,278,668	6,618,923
Fund balances end of year	\$ 2,013,654	2,880,235	1,552,977	6,446,866

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, 2018

Change in fund balances - total governmental funds (page 24)	\$	(172,057)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Capital outlay	\$ 648,824	
Depreciation expense	<u>(1,083,231)</u>	(434,407)
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.		
		(5,531)
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.		
		1,500,000
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.		
		6,830
Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		38,748
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.		
		994,339
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	\$ (174,811)	
Compensated absences	12,739	
Pension expense	(1,377,163)	
Total OPEB liability and related expenses	<u>(3,517)</u>	<u>(1,542,752)</u>
Change in net position of governmental activities (page 21)	\$	<u><u>385,170</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Funds
	School Nutrition	
ASSETS		
Current assets:		
Cash and pooled investments	\$ 175,617	1,882,645
Accounts receivable	365	-
Due from other governments	6,284	-
Inventories	2,464	-
Total current assets	<u>184,730</u>	<u>1,882,645</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	145,852	-
TOTAL ASSETS	<u>330,582</u>	<u>1,882,645</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows of resources	78,839	-
LIABILITIES		
Current liabilities:		
Due to other funds	6,215	-
Accounts payable	3,351	26,464
Salaries and benefits payable	24,681	30,095
Incurred but not reported claims	-	270,550
Unearned revenue	16,956	-
Total current liabilities	<u>51,203</u>	<u>327,109</u>
Noncurrent liabilities:		
Net pension liability	265,897	-
Total OPEB liability	10,515	-
Total noncurrent liabilities	<u>276,412</u>	<u>-</u>
TOTAL LIABILITIES	<u>327,615</u>	<u>327,109</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows of resources	10,629	-
OPEB related deferred inflows of resources	160	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>10,789</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	145,852	-
Unrestricted	(74,835)	1,555,536
TOTAL NET POSITION	<u>\$ 71,017</u>	<u>1,555,536</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, 2018

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Funds
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 345,424	-
Miscellaneous	432	2,434,845
TOTAL OPERATING REVENUES	<u>345,856</u>	<u>2,434,845</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	-	2,433,223
Non-instructional programs:		
Food service operations:		
Salaries	281,036	-
Benefits	47,867	-
Services	123,168	-
Supplies	440,207	-
Depreciation	22,533	-
Total non-instructional programs	<u>914,811</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>914,811</u>	<u>2,433,223</u>
OPERATING INCOME (LOSS)	(568,955)	1,622
NON-OPERATING REVENUES:		
State sources	8,161	-
Federal sources	640,728	-
Interest income	3,025	37,126
TOTAL NON-OPERATING REVENUES	<u>651,914</u>	<u>37,126</u>
Increase in net position before other financing uses:	82,959	38,748
OTHER FINANCING USES:		
Transfer out	<u>(56,583)</u>	<u>-</u>
Increase in net position	26,376	38,748
Net position beginning of year, as restated	<u>44,641</u>	<u>1,516,788</u>
Net position end of year	<u>\$ 71,017</u>	<u>1,555,536</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 401,613	-
Cash received from miscellaneous	432	2,497,032
Cash payments to employees for services	(375,885)	(70,404)
Cash payments to suppliers for goods or services	(470,959)	(2,324,399)
Net cash provided by (used in) operating activities	<u>(444,799)</u>	<u>102,229</u>
Cash flows from non-capital financing activities:		
Transfer to General Fund	(56,583)	-
Net interfund borrowings	6,215	-
State grants received	8,161	-
Federal grants received	560,578	-
Net cash provided by non-capital financing activities	<u>518,371</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>3,025</u>	<u>37,126</u>
Net increase in cash and pooled investments	76,597	139,355
Cash and pooled investments beginning of year	<u>99,020</u>	<u>1,743,290</u>
Cash and pooled investments end of year	<u>\$ 175,617</u>	<u>1,882,645</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (568,955)	1,622
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	78,450	-
Depreciation	22,533	-
Decrease in inventories	10,615	-
Decrease in accounts receivable	53,266	62,187
Increase in incurred but not reported claims	-	4,650
Increase in accounts payable	3,351	26,464
Increase (Decrease) in salary and benefits payable	(23,956)	7,306
Decrease in net pension liability	(14,115)	-
Increase in deferred outflows of resources	(7,611)	-
Decrease in deferred inflows of resources	(1,190)	-
Increase in unearned revenue	2,923	-
Decrease in OPEB liability	(110)	-
Net cash provided by (used in) operating activities	<u>\$ (444,799)</u>	<u>102,229</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2018, the District received Federal commodities valued at \$78,450.

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 227,055	8,402
Due from other governments	-	18,055
Interest receivable	754	-
TOTAL ASSETS	<u>227,809</u>	<u>26,457</u>
LIABILITIES		
Due to other groups	-	26,457
NET POSITION		
Held in trust for scholarships	<u>\$ 227,809</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, 2018

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 645
Interest income	3,854
TOTAL ADDITIONS	<u> 4,499</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u> 7,990</u>
Change in net position	(3,491)
Net position beginning of year	<u> 231,300</u>
Net position end of year	<u><u> \$ 227,809</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 Projects 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 expenditures, 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 measurable and available only when cash is received by the District.

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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/Net Position

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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable 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
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
Intangibles	5-20 years
Machinery and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District’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, 2018. 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.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund while the portion attributable to the business type activities will be paid primarily by the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a 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, OPEB expense and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

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

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District’s deposits in banks at June 30, 2018 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, 2018, the District had no such investments.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: School Nutrition	<u>\$ 6,415</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for indirect costs not repaid before year end.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,211,067
Debt Service	Capital Projects: Physical Plant and Equipment Levy	641,290
Capital Projects: Athletic Complex Project	Capital Projects: Statewide Sales, Services and Use Tax	122,600
General	Enterprise: School Nutrition	56,583
Total		<u>\$ 2,031,540</u>

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 transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Athletic Complex Project Fund was to move Athletic Complex In-Kind match donations.

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

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 495,801	-	-	495,801
Construction in progress	1,060,720	396,948	1,457,668	-
Total capital assets not being depreciated	1,556,521	396,948	1,457,668	495,801
Capital assets being depreciated:				
Buildings	30,734,440	1,457,668	-	32,192,108
Machinery and equipment	3,105,987	251,876	282,111	3,075,752
Total capital assets being depreciated	33,840,427	1,709,544	282,111	35,267,860
Less accumulated depreciation for:				
Buildings	8,629,528	872,228	-	9,501,756
Machinery and equipment	2,119,554	211,003	282,111	2,048,446
Total accumulated depreciation	10,749,082	1,083,231	282,111	11,550,202
Total capital assets being depreciated, net	23,091,345	626,313	-	23,717,658
Governmental activities capital assets, net	\$ 24,647,866	1,023,261	1,457,668	24,213,459
Business type activities:				
Machinery and equipment	\$ 630,408	-	5,342	625,066
Less accumulated depreciation	462,023	22,533	5,342	479,214
Business type activities capital assets, net	\$ 168,385	(22,533)	-	145,852
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 19,364
Other				4,238
Support services:				
Student services				33,797
Instructional staff				7,503
Administration				7,391
Operation and maintenance of plant				24,896
Transportation				113,814
				211,003
Unallocated depreciation				872,228
Total governmental activities depreciation expense				\$ 1,083,231
Business type activities:				
Food service operations				\$ 22,533

Note 6. Long-Term Liability

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance			Balance	Due
	Beginning of		Deletions	End of	Within
	Year, as restated	Additions		Year	One Year
Governmental Activities:					
Revenue bonds	\$ 12,865,000	-	885,000	11,980,000	905,000
Capital loan notes	1,875,000	-	615,000	1,260,000	625,000
Compensated absences	51,563	38,824	51,563	38,824	38,824
Termination benefits	147,044	320,841	146,030	321,855	264,338
Net pension liability	9,059,860	901,054	-	9,960,914	-
Total OPEB liability	742,914	-	7,666	735,248	-
Total	\$ 24,741,381	1,260,719	1,705,259	24,296,841	1,833,162
Business Type Activities:					
Net pension liability	\$ 280,012	-	14,115	265,897	-
Total OPEB liability	10,625	-	110	10,515	-
Total	\$ 290,637	-	14,225	276,412	-

Revenue Bonds

Details of the District's June 30, 2018 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
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	2.40	620,000	159,627	2.52	365,000	69,930	985,000	229,557	1,214,557
2024-2028	2.65-3.25	3,355,000	525,149	2.52	1,985,000	206,010	5,340,000	731,159	6,071,159
2029-2030	3.40-3.50	1,495,000	52,395	2.52	425,000	10,710	1,920,000	63,105	1,983,105
Total		\$ 7,820,000	1,504,876		\$ 4,160,000	654,696	\$ 11,980,000	2,159,572	14,139,572

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 87% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$14,139,572. For the current year \$885,000 of principal and \$333,900 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,409,410.

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, 2018 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
2019	1.40 %	\$ 625,000	18,910	643,910
2020	1.60	635,000	10,160	645,160
Total		\$ 1,260,000	29,070	1,289,070

Termination Benefits

The District offered a one-year voluntary early retirement plan to its full-time licensed employees in fiscal year 2018. Eligible employees must have reached age fifty-five and have completed at least ten years of full-time service with the District. Employees must have completed an application which was subject to approval by the Board of Education. The benefit for Certified Staff was \$35,000 placed in an employer sponsored 403(b) plan to be made in one installment on or before January 20 of the year after the employee’s retirement. During fiscal year 2018, District support staff was also offered an early retirement incentive of five years 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. The District also had 2 months of premium contributions remaining for a support staff retiree from a previous offering.

At June 30, 2018, the District has obligations to eleven early retirement participants with a total liability of \$321,855. Actual early retirement expenditures for the year ended June 30, 2018 totaled \$146,030.

Note 7. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 on or after 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 2018, 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, 2018 totaled \$1,018,790.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$10,226,811 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the District's proportion was 0.153527%, which was an increase of 0.005118% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,378,538. At June 30, 2018, 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	\$ 93,892	88,608
Changes of assumptions	1,776,948	-
Net difference between projected and actual earnings on IPERS' investments	-	106,815
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	221,000	213,391
District contributions subsequent to the measurement date	1,018,790	-
Total	<u>\$ 3,110,630</u>	<u>408,814</u>

\$1,018,790 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 ending June 30, 2019. 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
2019	\$ 218,765
2020	764,265
2021	470,935
2022	92,686
2023	136,375
	<u>\$ 1,683,026</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 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, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 7.0%, 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 (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$ 16,849,682	10,226,811	4,662,327

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, 2018, the District reported payables to IPERS of \$105,688 for legally required District contributions and \$70,419 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by Charles City Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	24
Active employees	<u>168</u>
Total	<u><u>192</u></u>

Total OPEB Liability - The District's total OPEB liability of \$745,763 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25-16.25% variable based upon years of service, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	7.00% initial rate decreasing by 0.25% annually to an ultimate rate of 4.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates for pre-retirement members are from the RP-2000 Employee Mortality Table, projected generationally using Scale AA, applied on a gender specific basis. Mortality rates for post-retirement members are from the RP-2000 Healthy Annuitant Mortality Table, projected generationally using Scale AA, applied on a gender specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 753,539
Changes for the year:	
Service cost	41,084
Interest	27,324
Changes in assumptions	(12,845)
Benefit payments	<u>(63,339)</u>
Net changes	<u>(7,776)</u>
Total OPEB liability end of year	<u><u>\$ 745,763</u></u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 791,097	745,763	702,979

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 658,654	745,763	848,514

OPEB Expense and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$66,906. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Changes in assumptions	\$ 11,343

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (1,502)
2020	(1,502)
2021	(1,502)
2022	(1,502)
2023	(1,502)
Thereafter	(3,833)
Total	\$ (11,343)

Note 9. Risk Management

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

Payments are made based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. At June 30, 2018, the plan balance was \$1,555,536. The incurred but unpaid claims liability of \$270,550 reported in the plan at June 30, 2018, is based on the requirements of GASB Statement Number 10 and is set up as a liability on the Statement of Net Position.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District’s actual amount for this purpose totaled \$701,365 for the year ended June 30, 2018 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Program	Amount
Home school assistance program	\$ 20,000
Gifted and talented programs	210,662
Returning dropouts and dropout prevention programs	28,787
Four-year-old preschool state aid	12,150
Flexibility account excess HSAP	132,649
Flexibility account excess professional development	43,957
Teacher salary supplement	633
Successful progression for early readers	42,880
Professional development	57,160
Market factor incentives	7,868
Total	\$ 556,746

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

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

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

The City of Charles City shall pay the District an annual contribution, with payments due each year on the anniversary of the first payment. When the agreement was signed the first-year contribution was set at \$32,630. 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, 2018 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 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, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Charles City	Urban Renewal and Economic Development Projects	\$ 217,084
City of Charles City	Urban Revitalization	\$ 53,161

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, 2018, this reimbursement amounted to \$106,065.

Note 14. Reconciliation of Governmental Fund Balances to Net Position

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

	Net investment in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,473,216	599,433	1,456,908
Capital assets, net of accumulated depreciation	24,213,459	-	-	-
Revenue bond capitalized indebtedness	(11,980,000)	-	-	-
Capital loan note indebtedness	(1,260,000)	-	-	-
Accrued interest payable	-	(110,790)	-	-
Termination benefits payable	-	-	(321,855)	-
Income surtax	-	-	-	538,675
Internal service fund	-	-	-	1,555,536
Compensated absences	-	-	-	(38,824)
Total OPEB liability	-	-	-	(735,248)
OPEB related deferred inflows	-	-	-	(11,183)
Pension related deferred outflows	-	-	-	3,031,791
Pension related deferred inflows	-	-	-	(398,185)
Net pension liability	-	-	-	(9,960,914)
Net position (Exhibit A)	\$ 10,973,459	1,362,426	277,578	(4,561,444)

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2017, as previously reported	\$ 10,633,344	37,186
OPEB obligation measured under previous standards	693,728	18,080
Total OPEB liability at June 30, 2017	(742,914)	(10,625)
Net position July 1, 2017, as restated	\$ 10,584,158	44,641

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, 2018

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,591,308	348,881	8,940,189	8,779,971	8,779,971	160,218
Intermediate sources	14,744	-	14,744	17,000	17,000	(2,256)
State sources	11,528,381	8,161	11,536,542	11,769,716	11,769,716	(233,174)
Federal sources	1,112,667	640,728	1,753,395	1,585,000	1,585,000	168,395
Total revenues	21,247,100	997,770	22,244,870	22,151,687	22,151,687	93,183
Expenditures/Expenses:						
Instruction	12,293,488	-	12,293,488	12,329,000	12,985,000	691,512
Support services	6,068,320	-	6,068,320	6,107,700	6,107,700	39,380
Non-instructional programs	45,180	914,811	959,991	999,480	1,020,000	60,009
Other expenditures	3,088,579	-	3,088,579	3,816,427	3,816,427	727,848
Total expenditures/expenses	21,495,567	914,811	22,410,378	23,252,607	23,929,127	1,518,749
Excess (Deficiency) of revenues over (under) expenditures/expenses	(248,467)	82,959	(165,508)	(1,100,920)	(1,777,440)	1,611,932
Other financing sources, net	76,410	(56,583)	19,827	2,400	2,400	17,427
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(172,057)	26,376	(145,681)	(1,098,520)	(1,775,040)	1,629,359
Balances beginning of year, as restated	6,618,923	44,641	6,663,564	6,414,799	6,414,799	248,765
Balances end of year	\$ 6,446,866	71,017	6,517,883	5,316,279	4,639,759	1,878,124

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2018

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$676,520.

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 FOUR YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
District's proportion of the net pension liability	0.153527%	0.148409%	0.154373%	0.160140%
District's proportionate share of the net pension liability	\$ 10,226,811	9,339,872	7,626,771	6,350,982
District's covered payroll	\$ 11,470,336	10,659,339	10,575,946	10,505,084
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.16%	87.62%	72.11%	60.46%
IPERS' net position as a percentage of the total pension liability	82.21%	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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 1,018,790	1,024,301	951,879	944,432	938,104	884,092	786,836	670,209	673,693	622,114
Contributions in relation to the statutorily required contribution	\$ (1,018,790)	(1,024,301)	(951,879)	(944,432)	(938,104)	(884,092)	(786,836)	(670,209)	(673,693)	(622,114)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 11,408,622	11,470,336	10,659,339	10,575,946	10,505,084	10,197,140	9,750,136	9,643,295	10,130,722	9,797,071
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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 CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
 FOR THE CURRENT YEAR
 REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 41,084
Interest cost	27,324
Changes in assumptions	(12,845)
Benefit payments	(63,339)
Net change in total OPEB liability	(7,776)
Total OPEB liability beginning of year, as restated	753,539
Total OPEB liability end of year	\$ 745,763
Covered-employee payroll	\$ 8,932,541
Total OPEB liability as a percentage of covered-employee payroll	8.35%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

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, 2018

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 590,105	270,281	860,386	685,738	1,546,124
Receivables:					
Property tax:					
Delinquent	12,771	-	12,771	-	12,771
Succeeding year	300,000	-	300,000	-	300,000
TOTAL ASSETS	\$ 902,876	270,281	1,173,157	685,738	1,858,895
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,443	2,475	5,918	-	5,918
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	300,000	-	300,000	-	300,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	685,738	685,738
Management levy purposes	599,433	-	599,433	-	599,433
Student activities	-	267,806	267,806	-	267,806
Total fund balances	599,433	267,806	867,239	685,738	1,552,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 902,876	270,281	1,173,157	685,738	1,858,895

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, 2018

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 638,093	-	638,093	-	638,093
Other	34,279	437,338	471,617	14,148	485,765
State sources	21,929	-	21,929	-	21,929
TOTAL REVENUES	694,301	437,338	1,131,639	14,148	1,145,787
EXPENDITURES:					
Current:					
Instruction					
Regular	235,836	-	235,836	-	235,836
Other	-	419,306	419,306	-	419,306
Support services:					
Student	2,257	-	2,257	-	2,257
Instructional staff	4,008	-	4,008	-	4,008
Administration	18,121	1,913	20,034	-	20,034
Operation and maintenance of plant	125,148	2,776	127,924	-	127,924
Transportation	29,518	6,132	35,650	-	35,650
Non-instructional programs:					
Food service operations	18,630	-	18,630	-	18,630
Long-term debt:					
Principal	-	-	-	1,500,000	1,500,000
Interest and fiscal charges	-	-	-	360,190	360,190
TOTAL EXPENDITURES	433,518	430,127	863,645	1,860,190	2,723,835
Excess (Deficiency) of revenues over (under) expenditures	260,783	7,211	267,994	(1,846,042)	(1,578,048)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	1,852,357	1,852,357
Change in fund balances	260,783	7,211	267,994	6,315	274,309
Fund balances beginning of year	338,650	260,595	599,245	679,423	1,278,668
Fund balances end of year	\$ 599,433	267,806	867,239	685,738	1,552,977

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2018

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Athletic Complex Project	Total
ASSETS				
Cash and pooled investments	\$ 1,549,913	1,027,417	240,724	2,818,054
Receivables:				
Property tax:				
Delinquent	-	16,426	-	16,426
Succeeding year	-	887,164	-	887,164
Income surtax	-	89,779	-	89,779
Due from other governments	119,379	-	-	119,379
TOTAL ASSETS	\$ 1,669,292	2,020,786	240,724	3,930,802
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	45,984	27,640	73,624
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	-	887,164	-	887,164
Income surtax	-	89,779	-	89,779
Total deferred inflows of resources	-	976,943	-	976,943
Fund balances:				
Restricted for:				
Debt service	787,478	-	-	787,478
School infrastructure	881,814	-	213,084	1,094,898
Physical plant and equipment	-	997,859	-	997,859
Total fund balances	1,669,292	997,859	213,084	2,880,235
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,669,292	2,020,786	240,724	3,930,802

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, 2018

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Athletic Complex Project	
REVENUES:				
Local sources:				
Local tax	\$ -	941,522	-	941,522
Other	17,217	24,267	124,824	166,308
State sources	1,409,410	34,298	-	1,443,708
TOTAL REVENUES	1,426,627	1,000,087	124,824	2,551,538
EXPENDITURES:				
Current:				
Support services:				
Operation and maintenance of plant	-	91,437	-	91,437
Capital outlay	294,258	195,426	34,340	524,024
Long-term debt:				
Fiscal charges	3,000	-	-	3,000
TOTAL EXPENDITURES	297,258	286,863	34,340	618,461
Excess of revenues over expenditures	1,129,369	713,224	90,484	1,933,077
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	122,600	122,600
Transfer out	(1,333,667)	(641,290)	-	(1,974,957)
TOTAL OTHER FINANCING SOURCES (USES)	(1,333,667)	(641,290)	122,600	(1,852,357)
Change in fund balances	(204,298)	71,934	213,084	80,720
Fund balances beginning of year	1,873,590	925,925	-	2,799,515
Fund balances end of year	\$ 1,669,292	997,859	213,084	2,880,235

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, 2018

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
COMET DRAMA	\$ 22,989	12,814	11,535	430	24,698
GENERAL VOCAL ACTIVITY	196	1,971	963	199	1,403
MARCHING BAND	17,138	104,625	116,432	131	5,462
JAZZ BAND	125	-	-	3	128
INSTRUMENTAL MUSIC	1,141	-	-	28	1,169
HS ORCHESTRA	2,173	-	-	53	2,226
MS BAND/ORCHESTRA	8,144	10,036	5,788	305	12,697
ATHLETIC FUND	62,982	76,646	98,556	1,035	42,107
GIRLS TRACK	1,426	92	-	38	1,556
GIRLS CROSS COUNTRY	480	16,950	1,335	413	16,508
BOYS CROSS COUNTRY	2,461	2,295	-	95	4,851
SPORTSMAN'S PARK	12,782	15,553	6,113	(12,486)	9,736
CONCESSION STAND	45,569	51,164	53,493	14,103	57,343
BOWLING	49	304	240	3	116
POM SQUAD	1,780	5,620	5,575	45	1,870
BOYS BASKETBALL	1,280	73	275	26	1,104
FOOTBALL	252	-	-	6	258
SOCCER	-	8,222	5,540	66	2,748
BASEBALL	7,263	2,745	4,408	138	5,738
BOYS TRACK	805	70	119	17	773
BOYS GOLF	2,280	-	-	57	2,337
HS WRESTLING	232	580	-	20	832
GIRLS BASKETBALL	4,274	653	1,995	72	3,004
VOLLEYBALL	331	882	498	18	733
SOFTBALL	2,210	5,024	6,444	19	809
GIRLS TENNIS	43	-	-	1	44
GIRLS GOLF	39	-	-	1	40
GIRLS SWIMMING	272	-	1	7	278
HS CHEERLEADERS	5,772	2,560	7,449	22	905
ANNUAL	6,947	14,669	12,099	234	9,751
ART CLUB	368	-	152	5	221
INFORMATION TECH CLUB	837	-	-	21	858
FUTURE BUSINESS LEADERS	1,603	3,101	1,253	85	3,536
FFA	11,964	67,969	60,326	514	20,121
GERMAN CLUB	8,132	8,657	15,856	23	956
SCHOOL IMPROVEMENT ASSISTANCE	11,548	1,892	2,690	3,124	13,874
CLASS OF 2017	3,080	-	189	(2,891)	-
CLASS OF 2018	1,525	-	387	28	1,166
CLASS OF 2019	101	5,722	4,334	37	1,526
CLASS OF 2020	-	-	-	102	102
INDUSTRIAL TECHNOLOGY	817	-	-	20	837
FCS CLUB	1,139	120	-	31	1,290
FCCLA	2,174	565	1,164	39	1,614
SOCIALS STUDIES TRIP	89	3,394	2,712	19	790
MS ANNUAL	3,031	1,500	1,600	72	3,003
MS STUDENT COUNCIL	2,752	1,221	606	83	3,450
CENTURY CLUB	-	3,160	-	78	3,238
INTEREST	-	6,489	-	(6,489)	-
TOTALS	\$ 260,595	437,338	430,127	-	267,806

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2018

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
ASSETS			
Cash and pooled investments	\$ 1,852,550	30,095	1,882,645
LIABILITIES			
Accounts payable	26,464	-	26,464
Salaries and benefits payable	-	30,095	30,095
Incurred but not reported claims	270,550	-	270,550
TOTAL LIABILITIES	<u>297,014</u>	<u>30,095</u>	<u>327,109</u>
NET POSITION			
Unrestricted	\$ 1,555,536	-	1,555,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2018

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
OPERATING REVENUES:			
Local sources:			
Miscellaneous	\$ 2,357,135	77,710	2,434,845
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	2,355,513	77,710	2,433,223
OPERATING INCOME	1,622	-	1,622
NON-OPERATING REVENUES:			
Interest income	37,126	-	37,126
Change in net position	38,748	-	38,748
Net position beginning of year	1,516,788	-	1,516,788
Net position end of year	\$ 1,555,536	-	1,555,536

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2018

	Governmental Activities: Internal Service Funds		
	Medical	Flex	Total
Cash flows from operating activities:			
Cash received from miscellaneous	\$ 2,419,322	77,710	2,497,032
Cash payments to employees for services	-	(70,404)	(70,404)
Cash payments to suppliers for goods or services	(2,324,399)	-	(2,324,399)
Net cash provided by operating activities	<u>94,923</u>	<u>7,306</u>	<u>102,229</u>
Cash flows from investing activities:			
Interest on investments	37,126	-	37,126
Net increase in cash and pooled investments	132,049	7,306	139,355
Cash and pooled investments beginning of year	1,720,501	22,789	1,743,290
Cash and pooled investments end of year	<u>\$ 1,852,550</u>	<u>30,095</u>	<u>1,882,645</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,622	-	1,622
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	62,187	-	62,187
Increase in incurred but not reported claims	4,650	-	4,650
Increase in accounts payable	26,464	-	26,464
Increase in salaries and benefits payable	-	7,306	7,306
Net cash provided by operating activities	<u>\$ 94,923</u>	<u>7,306</u>	<u>102,229</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND - SCHOLARSHIP ACCOUNTS
 JUNE 30, 2018

	Private Purpose Trust Fund - Scholarship Accounts									
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebnick Scholarship	Santee Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	Total
ASSETS										
Cash and pooled investments	\$ 35,504	25,083	15,403	8,574	124,248	12,417	3,899	107	1,820	227,055
Interest receivable	173	23	16	6	535	1	-	-	-	754
TOTAL ASSETS	35,677	25,106	15,419	8,580	124,783	12,418	3,899	107	1,820	227,809
LIABILITIES	-	-	-	-	-	-	-	-	-	-
NET POSITION										
Held in trust for scholarships	\$ 35,677	25,106	15,419	8,580	124,783	12,418	3,899	107	1,820	227,809

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUND - SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund - Scholarship Accounts									
	Davis Scholarship	Debes Scholarship	Hagman Scholarship	Koenigsfeld Scholarship	Koebrick Scholarship	Santee Scholarship	Aspenwal Scholarship	Rodenbeck Scholarship	Miscellaneous Annual	Total
ADDITIONS:										
Local sources:										
Gifts and contributions	\$ -	-	-	-	-	195	-	-	450	645
Interest income	591	452	273	124	2,165	216	-	-	33	3,854
TOTAL ADDITIONS	591	452	273	124	2,165	411	-	-	483	4,499
DEDUCTIONS:										
Instruction:										
Regular:										
Scholarships awarded	535	490	-	2,500	4,000	215	-	-	250	7,990
Change in net position	56	(38)	273	(2,376)	(1,835)	196	-	-	233	(3,491)
Net position beginning of year	35,621	25,144	15,146	10,956	126,618	12,222	3,899	107	1,587	231,300
Net position end of year	\$ 35,677	25,106	15,419	8,580	124,783	12,418	3,899	107	1,820	227,809

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, 2018

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 5,265	40,183	37,046	8,402
Due from other governments	-	18,055	-	18,055
	<u>\$ 5,265</u>	<u>58,238</u>	<u>37,046</u>	<u>26,457</u>
LIABILITIES				
Due to other groups	\$ 5,265	58,238	37,046	26,457

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local sources:										
Local tax	\$ 7,230,815	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
Tuition	317,258	327,737	311,073	282,712	304,475	311,436	374,700	309,235	326,961	348,519
Other	1,043,235	823,131	948,535	662,158	1,005,600	671,799	713,205	811,234	667,496	597,161
Intermediate sources	14,744	19,371	20,213	22,582	12,009	-	-	-	-	-
State sources	11,528,381	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
Federal sources	1,112,667	950,668	956,039	726,779	657,814	665,053	685,712	1,292,799	1,881,828	857,927
Total	\$ 21,247,100	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
Expenditures:										
Instruction:										
Regular	\$ 6,803,190	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
Special	2,790,973	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
Other	2,699,325	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
Support services:										
Student	569,987	542,633	653,273	659,572	721,069	569,054	522,673	515,715	535,423	517,097
Instructional staff	1,189,268	1,116,179	644,299	868,333	542,806	584,254	669,982	794,983	1,006,347	643,351
Administration	2,125,022	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
Operation and maintenance of plant	1,533,002	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
Transportation	651,041	533,359	683,236	704,888	552,992	483,613	533,537	542,626	489,317	468,449
Non-instructional programs	45,180	37,495	11,162	10,067	9,545	8,582	7,942	10,193	10,470	10,372
Capital outlay	524,024	6,011,354	14,420,049	1,362,742	367,744	427,902	1,926,871	646,726	842,263	707,028
Long-term debt:										
Principal	1,500,000	1,475,000	1,155,000	535,000	-	-	-	-	250,000	240,000
Interest and fiscal charges	363,190	388,328	354,973	253,527	122,248	-	-	-	13,750	26,710
Other expenditures:										
AEA flow-through	701,365	683,563	695,554	696,517	669,154	627,053	636,252	701,884	698,523	600,931
Total	\$ 21,495,567	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CHARLES CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2018

GRANTOR/PROGRAM	CFDA NUMBER	PASS-THROUGH	EXPENDITURES
		ENTITY IDENTIFYING NUMBER	
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 18	\$ 109,131
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 18	525,313 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 18	6,284
			<u>640,728</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 18	<u>436,826</u>
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 18	<u>6,777 **</u>
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367	FY 18	<u>64,738</u>
CENTRAL RIVERS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 18	<u>80,770 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 18	<u>13,900</u>
STATE OF IOWA:			
REHABILITATION SERVICES VOCATIONAL REHABILITATION GRANTS TO STATES	84.126	FY 18	<u>27,951</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
DEVELOPMENTAL DISABILITIES PROJECTS OF NATIONAL SIGNIFICANCE	93.631	FY 18	<u>231</u>
TOTAL			<u>\$ 1,271,921</u>

* Includes \$78,450 of non-cash awards

** Total for Special Education -Grants to States is \$87,547.

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, 2018. 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.

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

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

To the Board of Education of 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, 2018, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 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, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Charles City Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2018
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Federal 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, 2018. 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, 2018.

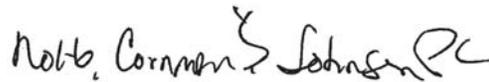
Report on Internal Control Over Compliance

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, material 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 control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2018
Newton, Iowa

CHARLES CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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 an audit finding which was 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, 2018

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, 2018

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-18 Certified Budget - District expenditures for the year ended June 30, 2018 did not exceed the amended certified budgeted amounts.

IV-B-18 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-18 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-18 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lorraine Winterink, Board Member Spouse owns Red Cedar Lodge	Services	\$355

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions with the spouse of Lorraine Winterink does not appear to represent a conflict of interest.

IV-E-18 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-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-18 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported was overstated by 1.0 student for the fall of 2017.

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

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

Conclusion - Response accepted.

IV-H-18 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-18 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-18 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-18 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-18 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, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,873,590
Revenues:		
Sales tax revenues	\$ 1,409,410	
Other local revenues	17,217	1,426,627
Total revenues		
Expenditures/transfers out:		
School infrastructure construction	290,723	
Other	6,535	
Transfers to other funds		
Debt service fund	1,211,067	
Capital Projects: Middle School Project	122,600	1,630,925
Ending balance		\$ 1,669,292

For the year ended June 30, 2018 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.