

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

JUNE 30, 2013

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Carroll Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Kim Tiefenthaler	President	2015
Jerry Fleshner	Vice President	2013
Dennis Molitor	Board Member	2013
LaVern Dirx	Board Member	2015
Dan Tiefenthaler	Board Member	2015

School Officials

Robert Cordes	Superintendent	2013
Gary Bengtson	Director of Business Affairs	2013
Gruhn Law Firm	Attorney	2013
Neu, Minnich, Comito & Neu, P.C.	Attorney	2013

Carroll Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District, Carroll, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 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 Carroll 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 six years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the three years ended June 30, 2006 (none of which are presented herein), and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2014 on our consideration of Carroll Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Carroll Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Carroll Community School District provides the 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$17,564,412 in fiscal 2012 to \$17,021,964 in fiscal 2013, while General Fund expenditures increased from \$16,766,732 in fiscal 2012 to \$16,866,103 in fiscal 2013. The net effect was an increase in the District's General Fund balance from \$4,656,549 in fiscal 2012 to \$4,812,410 in fiscal 2013, a 3.35% increase from the prior year.
- The decrease in General Fund revenues was attributable to decreased funding from state sources. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.

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 Carroll 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 Carroll 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 Carroll Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

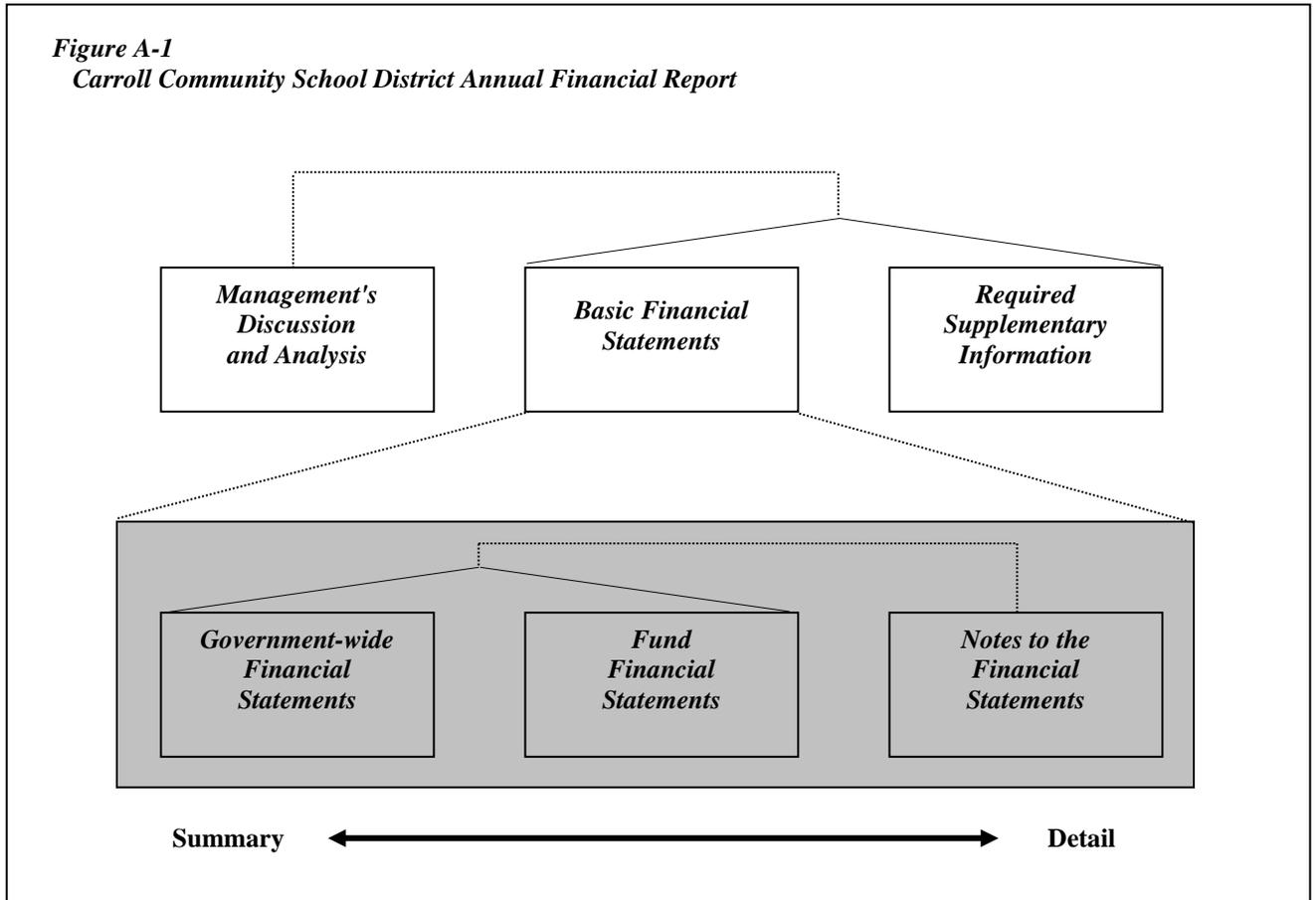


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or 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, Capital Projects Fund and the Debt Service Fund.

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring 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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 16,830,029	17,034,201	277,664	253,057	17,107,693	17,287,258	-1.04%
Capital assets	16,713,452	16,162,036	135,785	73,119	16,849,237	16,235,155	3.78%
Total assets	<u>33,543,481</u>	<u>33,196,237</u>	<u>413,449</u>	<u>326,176</u>	<u>33,956,930</u>	<u>33,522,413</u>	1.30%
Long-term obligations	1,982,443	2,415,448	15,773	13,181	1,998,216	2,428,629	-17.72%
Other liabilities	9,366,854	9,464,507	19,416	19,598	9,386,270	9,484,105	-1.03%
Total liabilities	<u>11,349,297</u>	<u>11,879,955</u>	<u>35,189</u>	<u>32,779</u>	<u>11,384,486</u>	<u>11,912,734</u>	-4.43%
Net position:							
Invested in capital assets, net of related debt	15,358,452	14,237,036	135,785	73,119	15,494,237	14,310,155	8.27%
Restricted	3,435,468	3,386,775	-	-	3,435,468	3,386,775	1.44%
Unrestricted	3,400,264	3,692,471	242,475	220,278	3,642,739	3,912,749	-6.90%
Total net position	<u>\$ 22,194,184</u>	<u>21,316,282</u>	<u>378,260</u>	<u>293,397</u>	<u>22,572,444</u>	<u>21,609,679</u>	4.46%

The District's total net position increased by 4.46%, or \$962,765, over the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 1.44%, or \$48,693, over the prior year. The increase in restricted fund balance was attributable to the increase in restricted fund balance for categorical funding and the Management Levy Fund.

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 \$270,010, or 6.90%. This is due mainly to the decrease in the General Fund unassigned fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,145,538	1,135,495	469,886	455,465	1,615,424	1,590,960	1.54%
Operating grants, contributions and restricted interest	2,199,997	2,308,495	444,234	400,278	2,644,231	2,708,773	-2.38%
General revenues:							
Property tax	7,668,434	7,662,181	-	-	7,668,434	7,662,181	0.08%
Statewide sales, services and use tax	1,493,065	1,262,655	-	-	1,493,065	1,262,655	18.25%
Unrestricted state grants	7,236,303	7,503,475	-	-	7,236,303	7,503,475	-3.56%
Non-specific program federal grants	-	312,954	-	-	-	312,954	-100.00%
Unrestricted investment earnings	2,053	3,285	134	267	2,187	3,552	-38.43%
Other	27,268	53,359	4,595	-	31,863	53,359	-40.29%
Transfers	(36,810)	(10,459)	36,810	10,459	-	-	0.00%
Total revenues and transfers	19,735,848	20,231,440	955,659	866,469	20,691,507	21,097,909	-1.93%
Program expenses:							
Governmental activities:							
Instructional	11,889,337	11,793,640	-	-	11,889,337	11,793,640	0.81%
Support services	5,637,025	5,422,926	23,579	24,945	5,660,604	5,447,871	3.90%
Non-instructional programs	-	-	847,217	809,452	847,217	809,452	4.67%
Other expenses	1,331,584	1,339,146	-	-	1,331,584	1,339,146	-0.56%
Total expenses	18,857,946	18,555,712	870,796	834,397	19,728,742	19,390,109	1.75%
Change in net position	877,902	1,675,728	84,863	32,072	962,765	1,707,800	-43.63%
Net position beginning of year	21,316,282	19,640,554	293,397	261,325	21,609,679	19,901,879	8.58%
Net position end of year	\$ 22,194,184	21,316,282	378,260	293,397	22,572,444	21,609,679	4.46%

In fiscal 2013, property tax and unrestricted state grants account for 75.52% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.65% of the revenue from business type activities.

The District's total revenues were \$20,691,507, of which \$19,735,848 was for governmental activities and \$955,659 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.93% decrease in revenues and a 1.75% increase in expenses. The decrease in revenues is related to the decrease in funding from state sources. The increase in expenses is related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$19,735,848 and expenses were \$18,857,946.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 11,889,337	11,793,640	0.81%	9,516,057	9,469,267	0.49%
Support services	5,637,025	5,422,926	3.95%	5,351,052	4,987,573	7.29%
Other expenses	1,331,584	1,339,146	-0.56%	645,302	665,341	-3.01%
Totals	\$ 18,857,946	18,555,712	1.63%	15,512,411	15,122,181	2.58%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,145,538.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,199,997.
- The net cost of governmental activities was financed with \$7,668,434 in property tax, \$1,493,065 in statewide sales, services and use tax, \$7,236,303 in unrestricted state grants, \$2,053 in interest income and \$27,268 in other general revenues.

Business Type Activities

Revenues of the District's business type activity were \$955,659 and expenses were \$870,796. The District's business type activity is the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,470,435, below last year's ending fund balances of \$7,579,923. The primary reason for the decrease in combined fund balances was the decrease in the Capital Projects: Statewide Sales, Service and Use Tax Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$4,656,549 at June 30, 2012 to \$4,812,410 at June 30, 2013. Revenues decreased 3.58% and expenditures increased 0.59%, however, revenues still outpaced expenditures resulting in an increase in the General Fund balance at June 30, 2013.
- The Management Levy Fund balance increased from \$1,012,753 at June 30, 2012 to \$1,153,976 at June 30, 2013.

- The Capital Projects Fund balance decreased from \$1,634,793 at June 30, 2012 to \$1,263,743 at June 30, 2013. The decrease is due in part to increased expenditures in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$293,397 at June 30, 2012 to \$378,260 at June 30, 2013, representing an increase of 28.92%. This increase was primarily the result of an increase in state and federal sources as compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Carroll Community School District amended its budget one time to reflect additional expenditures associated with technology purchases and construction costs.

The District's revenues were \$189,464 less than budgeted revenues, a variance of 0.91%. The most significant dollar variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures in excess of those anticipated 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, 2013, the District had invested \$16,849,237, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.78% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$971,242.

The original cost of the District's capital assets was \$35,446,708. Governmental funds account for \$34,883,217 with the remainder of \$563,491 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$340,440 at June 30, 2013 as compared to \$0 at June 30, 2012. The increase in construction in progress is due in part to the District beginning work on building an addition to the middle school.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 694,070	694,070	-	-	694,070	694,070	0.00%
Construction in progress	340,440	-	-	-	340,440	-	100.00%
Buildings	11,970,967	11,983,235	-	-	11,970,967	11,983,235	-0.10%
Land improvements	1,516,910	1,419,264	-	-	1,516,910	1,419,264	6.88%
Machinery and equipment	2,191,065	2,065,467	135,785	73,119	2,326,850	2,138,586	8.80%
Total	\$ 16,713,452	16,162,036	135,785	73,119	16,849,237	16,235,155	3.78%

Long-Term Debt

At June 30, 2013, the District had \$1,998,216 in general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 17.72% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,355,000 at June 30, 2013.

The District had total outstanding compensated absences of \$58,565 at June 30, 2013.

The District had outstanding termination benefits of \$107,651 at June 30, 2013; \$80,863 is payable from the Management Levy Fund and \$26,788 is payable from the General Fund.

The District also had net OPEB liability of \$477,000 at June 30, 2013. Governmental Activities account for \$461,227 while Business Type Activities account for \$15,773.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 1,355,000	1,925,000	-	-	1,355,000	1,925,000	-29.61%
Compensated absences	58,565	58,372	-	-	58,565	58,372	0.33%
Termination benefits	107,651	75,000	-	-	107,651	75,000	43.53%
Net OPEB liability	461,227	357,076	15,773	13,181	477,000	370,257	28.83%
Total	<u>\$ 1,982,443</u>	<u>2,415,448</u>	<u>15,773</u>	<u>13,181</u>	<u>1,998,216</u>	<u>2,428,629</u>	<u>-17.72%</u>

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 which could significantly affect its financial health in the future:

- The Carroll Community School District has experienced a decline in enrollment, low allowable growth from the state and a new restriction on the ability to levy cash reserve. These factors are putting a strain on the General Fund budget and as a result the District will be faced with implementing fairly significant budget reductions over the next couple of years.
- The Carroll Community School District is one of only eight Iowa school districts where its citizens have not approved the Instructional Support Levy. This levy is used for General Fund expenditures and can be used to support instructional programming.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2013, the Carroll Community School District benefitted from having 97 students open enrolled into the District compared to only 59.3 students open enrolled out of the District.

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 Gary Bengtson, Director of Business Affairs, Carroll Community School District, 1026 North Adams Street, Carroll, Iowa, 51401.

BASIC FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 8,327,997	251,358	8,579,355
Receivables:			
Property tax:			
Delinquent	39,200	-	39,200
Succeeding year	7,465,976	-	7,465,976
Accounts	103	-	103
Due from other governments	975,429	-	975,429
Inventories	-	19,871	19,871
Prepaid items	21,324	6,435	27,759
Capital assets, net of accumulated depreciation	16,713,452	135,785	16,849,237
Total assets	33,543,481	413,449	33,956,930
Liabilities			
Accounts payable	265,341	-	265,341
Salaries and benefits payable	1,628,277	5,034	1,633,311
Accrued interest payable	7,260	-	7,260
Deferred revenue:			
Succeeding year property tax	7,465,976	-	7,465,976
Unearned revenue	-	14,382	14,382
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	590,000	-	590,000
Termination benefits payable	107,651	-	107,651
Compensated absences payable	58,565	-	58,565
Portion due after one year:			
General obligation bonds payable	765,000	-	765,000
Net OPEB liability	461,227	15,773	477,000
Total liabilities	11,349,297	35,189	11,384,486
Net Position			
Invested in capital assets, net of related debt	15,358,452	135,785	15,494,237
Restricted for:			
Categorical funding	865,566	-	865,566
Debt service	56,168	-	56,168
Management levy purposes	1,073,113	-	1,073,113
Student activities	176,878	-	176,878
School infrastructure	1,069,066	-	1,069,066
Physical plant and equipment	194,677	-	194,677
Unrestricted	3,400,264	242,475	3,642,739
Total net position	\$ 22,194,184	378,260	22,572,444

SEE NOTES TO FINANCIAL STATEMENTS.

**CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 7,585,157	521,437	127,059	(6,936,661)	-	(6,936,661)
Special	2,422,305	311,845	364,793	(1,745,667)	-	(1,745,667)
Other	1,881,875	224,724	823,422	(833,729)	-	(833,729)
	<u>11,889,337</u>	<u>1,058,006</u>	<u>1,315,274</u>	<u>(9,516,057)</u>	<u>-</u>	<u>(9,516,057)</u>
Support services:						
Student	588,757	-	-	(588,757)	-	(588,757)
Instructional staff	950,168	6,560	-	(943,608)	-	(943,608)
Administration	1,589,620	-	-	(1,589,620)	-	(1,589,620)
Operation and maintenance of plant	1,231,837	-	-	(1,231,837)	-	(1,231,837)
Transportation	1,276,643	80,972	198,441	(997,230)	-	(997,230)
	<u>5,637,025</u>	<u>87,532</u>	<u>198,441</u>	<u>(5,351,052)</u>	<u>-</u>	<u>(5,351,052)</u>
Long-term debt interest	54,531	-	-	(54,531)	-	(54,531)
Other expenses:						
AEA flowthrough	686,282	-	686,282	-	-	-
Depreciation(unallocated)*	590,771	-	-	(590,771)	-	(590,771)
	<u>1,277,053</u>	<u>-</u>	<u>686,282</u>	<u>(590,771)</u>	<u>-</u>	<u>(590,771)</u>
Total governmental activities	<u>18,857,946</u>	<u>1,145,538</u>	<u>2,199,997</u>	<u>(15,512,411)</u>	<u>-</u>	<u>(15,512,411)</u>
Business type activities:						
Support services:						
Administration	3,574	-	-	-	(3,574)	(3,574)
Operation and maintenance of plant	20,005	-	-	-	(20,005)	(20,005)
	<u>23,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,579)</u>	<u>(23,579)</u>
Non-instructional programs:						
Food service operations	847,217	469,886	444,234	-	66,903	66,903
Total business type activities	<u>870,796</u>	<u>469,886</u>	<u>444,234</u>	<u>-</u>	<u>43,324</u>	<u>43,324</u>
Total	<u>\$ 19,728,742</u>	<u>1,615,424</u>	<u>2,644,231</u>	<u>(15,512,411)</u>	<u>43,324</u>	<u>(15,469,087)</u>
General Revenues & Transfers:						
General Revenues:						
Property tax levied for:						
General purposes			\$ 7,192,336	-		7,192,336
Debt service			227,554	-		227,554
Capital outlay			248,544	-		248,544
Statewide sales, services and use tax			1,493,065	-		1,493,065
Unrestricted state grants			7,236,303	-		7,236,303
Unrestricted investment earnings			2,053		134	2,187
Other general revenues			27,268		4,595	31,863
Transfers			(36,810)		36,810	-
Total general revenues & transfers			<u>16,390,313</u>	<u>41,539</u>		<u>16,431,852</u>
Change in net position			877,902	84,863		962,765
Net position beginning of year			21,316,282	293,397		21,609,679
Net position end of year			<u>\$ 22,194,184</u>	<u>378,260</u>		<u>22,572,444</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 5,816,220	1,151,476	1,116,674	243,627	8,327,997
Receivables:					
Property tax:					
Delinquent	34,261	2,500	1,273	1,166	39,200
Succeeding year	6,423,676	549,997	262,770	229,533	7,465,976
Accounts	103	-	-	-	103
Due from other governments	739,011	-	236,418	-	975,429
Prepaid items	21,324	-	-	-	21,324
Total assets	\$ 13,034,595	1,703,973	1,617,135	474,326	16,830,029
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 170,232	-	90,622	4,487	265,341
Salaries and benefits payable	1,628,277	-	-	-	1,628,277
Deferred revenue:					
Succeeding year property tax	6,423,676	549,997	262,770	229,533	7,465,976
Total liabilities	8,222,185	549,997	353,392	234,020	9,359,594
Fund balances:					
Nonspendable	21,324	-	-	-	21,324
Restricted for:					
Categorical funding	865,566	-	-	-	865,566
Debt service	-	-	-	63,428	63,428
Management levy purposes	-	1,153,976	-	-	1,153,976
Student activities	-	-	-	176,878	176,878
School infrastructure	-	-	1,069,066	-	1,069,066
Physical plant and equipment	-	-	194,677	-	194,677
Unassigned	3,925,520	-	-	-	3,925,520
Total fund balances	4,812,410	1,153,976	1,263,743	240,306	7,470,435
Total liabilities and fund balances	\$ 13,034,595	1,703,973	1,617,135	474,326	16,830,029

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	7,470,435
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		16,713,452
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(7,260)
Long-term liabilities, including general obligation bonds, termination benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,982,443)</u>
 Net position governmental activities(page 18)	 \$	 <u><u>22,194,184</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,703,131	489,205	1,741,609	227,554	9,161,499
Tuition	782,296	-	-	-	782,296
Other	189,223	10,877	2,238	278,682	481,020
State sources	8,675,063	274	133	122	8,675,592
Federal sources	672,251	-	-	-	672,251
Total revenues	<u>17,021,964</u>	<u>500,356</u>	<u>1,743,980</u>	<u>506,358</u>	<u>19,772,658</u>
Expenditures:					
Current:					
Instruction:					
Regular	7,397,076	130,035	46,969	-	7,574,080
Special	2,407,454	-	-	-	2,407,454
Other	1,586,242	-	-	314,380	1,900,622
	<u>11,390,772</u>	<u>130,035</u>	<u>46,969</u>	<u>314,380</u>	<u>11,882,156</u>
Support services:					
Student	587,067	-	-	-	587,067
Instructional staff	407,370	-	553,081	-	960,451
Administration	1,575,964	7,513	-	-	1,583,477
Operation and maintenance of plant	1,191,494	150,319	-	-	1,341,813
Transportation	1,027,154	71,266	167,156	-	1,265,576
	<u>4,789,049</u>	<u>229,098</u>	<u>720,237</u>	<u>-</u>	<u>5,738,384</u>
Capital outlay	-	-	947,824	-	947,824
Long-term debt:					
Principal	-	-	-	570,000	570,000
Interest and fiscal charges	-	-	-	57,500	57,500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,500</u>	<u>627,500</u>
Other expenditures:					
AEA flowthrough	686,282	-	-	-	686,282
Total expenditures	<u>16,866,103</u>	<u>359,133</u>	<u>1,715,030</u>	<u>941,880</u>	<u>19,882,146</u>
Excess(Deficiency) of revenues over(under)expenditures	155,861	141,223	28,950	(435,522)	(109,488)
Other financing sources(uses):					
Transfer in	-	-	-	400,000	400,000
Transfer out	-	-	(400,000)	-	(400,000)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>400,000</u>	<u>-</u>
Change in fund balances	155,861	141,223	(371,050)	(35,522)	(109,488)
Fund balances beginning of year	4,656,549	1,012,753	1,634,793	275,828	7,579,923
Fund balances end of year	<u>\$ 4,812,410</u>	<u>1,153,976</u>	<u>1,263,743</u>	<u>240,306</u>	<u>7,470,435</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL 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, 2013

Change in fund balances - total governmental funds(page 22) \$ (109,488)

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

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

Capital outlay	\$	1,504,282	
Depreciation expense		(951,906)	
Loss on asset disposal		(960)	551,416
		(960)	

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. 570,000

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. 2,969

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

Termination benefits	\$	(32,651)	
Compensated absences		(193)	
Other postemployment benefits		(104,151)	(136,995)
		(104,151)	

Change in net position of governmental activities(page 19) \$ 877,902

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 251,358
Inventories	19,871
Prepaid items	6,435
Total current assets	277,664
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	135,785
Total assets	413,449
Liabilities	
Current liabilities:	
Salaries and benefits payable	5,034
Unearned revenue	14,382
Total current liabilities	19,416
Long-term liabilities:	
Net OPEB liability	15,773
Total liabilities	35,189
Net Position	
Invested in capital assets	135,785
Unrestricted	242,475
Total net position	\$ 378,260

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 469,886
Miscellaneous	4,595
Total operating revenues	474,481
Operating expenses:	
Support services:	
Administration:	
Services	300
Other	3,274
Operation and maintenance of plant:	
Services	3,034
Supplies	16,971
Total support services	23,579
Non-instructional programs:	
Food service operations:	
Salaries	293,874
Benefits	125,848
Services	2,073
Supplies	405,215
Other	871
Depreciation	19,336
Total non-instructional programs	847,217
Total operating expenses	870,796
Operating loss	(396,315)
Non-operating revenues:	
State sources	8,161
Federal sources	436,073
Interest income	134
Total non-operating revenues	444,368
Change in net position before other financing sources	48,053
Other financing sources:	
Capital contribution	36,810
Change in net position	84,863
Net position beginning of year	293,397
Net position end of year	\$ 378,260

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from food service operations *	\$ 470,301
Cash received from miscellaneous operating activities	4,595
Cash payments to employees for services	(416,416)
Cash payments to suppliers for goods or services	(379,990)
Net cash used in operating activities	(321,510)
Cash flows from non-capital financing activities:	
State grants received	8,161
Federal grants received	374,883
Net cash provided by non-capital financing activities	383,044
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(45,192)
Cash flows from investing activities:	
Interest on investments	134
Net increase in cash and cash equivalents	16,476
Cash and cash equivalents at beginning of year	234,882
Cash and cash equivalents at end of year	\$ 251,358
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (396,315)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	61,190
Depreciation	19,336
Decrease in prepaid items	457
Increase in inventories	(8,657)
Decrease in accounts receivable	69
Decrease in accounts payable	(785)
Increase in salaries and benefits payable	257
Increase in unearned revenue	346
Increase in other postemployment benefits	2,592
Net cash used in operating activities	\$ (321,510)

Non-cash investing, capital and related financing activities:

* - cash from operations consists of cash received from lunches and breakfasts served as well as cash received from food service director sharing contract with AR-WE-VA Community School District.

During the year ended June 30, 2013, the District received \$61,190 of federal commodities.

During the year ended June 30, 2013, the Nutrition Fund received capital contributions of \$36,810 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 68,271
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	68,271
Total net position	<u>\$ 68,271</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 743
Change in net position	743
Net position beginning of year	<u>67,528</u>
Net position end of year	<u><u>\$ 68,271</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The Carroll Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. The geographic area served primarily includes the Cities of Carroll, Breda, Dedham, Halbur, Roselle, Mt. Carmel, Willey, Lidderdale, Templeton, and Maple River Iowa, and the predominate agricultural territory of Carroll County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Carroll 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 Carroll Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does 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 Carroll 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for termination benefits.

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

The District reports the following nonmajor proprietary fund:

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

The District also reports a fiduciary fund which focuses on net position and changes in net position:

The District's fiduciary fund is the Private Purpose Trust Fund which 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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 + years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid items.

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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 and the Treasurer of the State of Iowa; 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$6,867,805 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Governmental Accounting Standards Board Statement Number 3 requires the categorization of District investments to give an indication of the level of risk assumed by the District at year end. The HH Series Bond held by the District is stated at fair value and is not subject to the risk categorization previously mentioned. At June 30, 2013, the District had an investment in an HH series bond in the amount of \$35,000.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 400,000

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service fund was needed for principal payments on the general obligation bonds.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 694,070	-	-	694,070
Construction in progress	-	340,440	-	340,440
Total capital assets not being depreciated	694,070	340,440	-	1,034,510
Capital assets being depreciated:				
Buildings	21,277,015	523,003	2,401	21,797,617
Land improvements	2,215,829	154,106	-	2,369,935
Machinery and equipment	9,337,262	486,733	142,840	9,681,155
Total capital assets being depreciated	32,830,106	1,163,842	145,241	33,848,707
Less accumulated depreciation for:				
Buildings	9,293,780	534,311	1,441	9,826,650
Land improvements	796,565	56,460	-	853,025
Machinery and equipment	7,271,795	361,135	142,840	7,490,090
Total accumulated depreciation	17,362,140	951,906	144,281	18,169,765
Total capital assets being depreciated, net	15,467,966	211,936	960	15,678,942
Governmental activities capital assets, net	\$ 16,162,036	552,376	960	16,713,452
Business type activities:				
Machinery and equipment	\$ 501,412	82,002	19,923	563,491
Less accumulated depreciation	428,293	19,336	19,923	427,706
Business type activities capital assets, net	\$ 73,119	62,666	-	135,785

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 96,002
Special	15,491
Other	32,268
Support services:	
Student	3,262
Instructional staff	19,611
Administration	6,972
Operation and maintenance	12,806
Transportation	174,723
	361,135
Unallocated depreciation	590,771
Total governmental activities depreciation expense	\$ 951,906
Business type activities:	
Food service operations	\$ 19,336

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,925,000	-	570,000	1,355,000	590,000
Compensated absences	58,372	58,565	58,372	58,565	58,565
Termination benefits	75,000	107,651	75,000	107,651	107,651
Net OPEB liability	357,076	104,151	-	461,227	-
Total	\$ 2,415,448	270,367	703,372	1,982,443	756,216
Business Type Activities					
Net OPEB liability	\$ 13,181	2,592	-	15,773	-

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009			
	Interest Rates	Principal	Interest	Total
2014	3.125-3.375	% \$ 590,000	39,031	629,031
2015	3.000-3.375	600,000	19,313	619,313
2016	3.000-3.375	165,000	3,975	168,975
Total		\$ 1,355,000	62,319	1,417,319

Termination Benefits(Early Retirement)

The District offered a one-time voluntary early retirement plan to all District employees. Eligible employees must have completed fifteen years of continuous service or thirty years of non-continuous service to the District and must have reached the age of fifty-five on or before July 1st the year of the retirement request. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal 50% of the employee's base salary in effect during the employee's last year of employment, with a maximum retirement benefit of \$35,000. At the option of the Board, the payment could be made over a period of time not to exceed five years.

At June 30, 2013, the District has obligations to four participants with a total liability of \$107,651, of which \$80,863 is payable from the Management Levy Fund and \$26,788 is payable from the General Fund. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$75,000.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$879,122, \$808,440 and \$669,683 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 238 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement and have twenty or more years of service to the District.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 152,000
Interest on net OPEB obligation	17,000
Adjustment to annual required contribution	(14,257)
Annual OPEB cost	<u>154,743</u>
Contributions made	<u>(48,000)</u>
Increase in net OPEB obligation	106,743
Net OPEB obligation - beginning of year	<u>370,257</u>
Net OPEB obligation - end of year	<u>\$ 477,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

For fiscal year 2013, the District contributed \$48,000 to the medical plan. Plan members receiving benefits contributed \$84,000, or 63.64% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 140,323	54.87%	\$ 329,000
2012	140,257	70.58%	370,257
2013	154,743	31.02%	477,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,212,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,212,000. The covered payroll (annual payroll of active employees covered by the plan) was \$9,192,661, and the ratio of the UAAL to the covered payroll was 13.2%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$819 per month for retirees less than 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$686,282 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitments

The District has entered into contracts totaling \$2,087,262 for the construction of a middle school addition and a parking lot. As of June 30, 2013, costs of \$340,440 had been incurred against the contracts. The balance of \$1,746,822 remaining at June 30, 2013 will be paid as work on the projects progress.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented Programs	\$ 199,275
Returning Dropouts and Dropout Prevention Programs	331,137
Four-year-old Preschool State Aid	212,036
Beginning Teacher Mentoring and Induction Program	289
Teacher Salary Supplement	18,380
Beginning Administrator Mentoring and Induction Program	3,000
Professional Development for Model Core Curriculum	39,683
Professional Development	61,766
	<hr/>
Total	<u>\$ 865,566</u>

(12) Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Invested in</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	1,153,976	63,428	3,925,520
Invested in capital assets, net of accumulated depreciation	16,713,452	-	-	-
General obligation bond capitalized indebtedness	(1,355,000)	-	-	-
Termination benefits	-	(80,863)	-	(26,788)
Compensated absences	-	-	-	(58,565)
Accrued interest payable	-	-	(7,260)	-
Net OPEB liability	-	-	-	(461,227)
Nonspendable fund balance	-	-	-	21,324
Net position (Exhibit A)	<u>\$ 15,358,452</u>	<u>1,073,113</u>	<u>56,168</u>	<u>3,400,264</u>

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 10,424,815	474,615	10,899,430	11,047,674	11,047,674	(148,244)
State sources	8,675,592	8,161	8,683,753	8,823,297	8,823,297	(139,544)
Federal sources	672,251	436,073	1,108,324	1,010,000	1,010,000	98,324
Total revenues	19,772,658	918,849	20,691,507	20,880,971	20,880,971	(189,464)
Expenditures/Expenses:						
Instruction	11,882,156	-	11,882,156	13,499,000	13,499,000	1,616,844
Support services	5,738,384	23,579	5,761,963	5,615,600	6,000,000	238,037
Non-instructional programs	-	847,217	847,217	870,000	970,000	122,783
Other expenditures	2,261,606	-	2,261,606	2,204,188	2,750,000	488,394
Total expenditures/expenses	19,882,146	870,796	20,752,942	22,188,788	23,219,000	2,466,058
Excess(Deficiency)of revenues over(under) expenditures/expenses	(109,488)	48,053	(61,435)	(1,307,817)	(2,338,029)	2,276,594
Other financing sources, net	-	36,810	36,810	2,500	2,500	34,310
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(109,488)	84,863	(24,625)	(1,305,317)	(2,335,529)	2,310,904
Balances beginning of year	7,579,923	293,397	7,873,320	6,793,496	6,793,496	1,079,824
Balances end of year	\$ 7,470,435	378,260	7,848,695	5,488,179	4,457,967	3,390,728

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 or fund type. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,030,212.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 1,755,000	1,755,000	0.0%	\$8,625,000	20.3%
2010	July 1, 2008	-	1,755,000	1,755,000	0.0%	8,061,000	21.8%
2011	July 1, 2010	-	1,311,000	1,311,000	0.0%	9,697,108	13.5%
2012	July 1, 2010	-	1,311,000	1,311,000	0.0%	9,330,981	14.1%
2013	July 1, 2012	-	1,212,000	1,212,000	0.0%	9,192,661	13.2%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue		Total
	Student Activity	Debt Service	
Assets			
Cash and pooled investments	\$ 181,365	62,262	243,627
Receivables:			
Property tax:			
Delinquent	-	1,166	1,166
Succeeding year	-	229,533	229,533
Total assets	\$ 181,365	292,961	474,326
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,487	-	4,487
Deferred revenue:			
Succeeding year property tax	-	229,533	229,533
Total liabilities	4,487	229,533	234,020
Fund balances:			
Restricted for:			
Debt service	-	63,428	63,428
Student activities	176,878	-	176,878
Total fund balances	176,878	63,428	240,306
Total liabilities and fund balances	\$ 181,365	292,961	474,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Local tax	\$ -	227,554	227,554
Other	278,645	37	278,682
State sources	-	122	122
Total revenues	278,645	227,713	506,358
Expenditures:			
Current:			
Instruction:			
Other	314,380	-	314,380
Long-term debt:			
Principal	-	570,000	570,000
Interest and fiscal charges	-	57,500	57,500
Total expenditures	314,380	627,500	941,880
Deficiency of revenues under expenditures	(35,735)	(399,787)	(435,522)
Other financing sources:			
Transfer in	-	400,000	400,000
Change in fund balances	(35,735)	213	(35,522)
Fund balances beginning of year	212,613	63,215	275,828
Fund balance end of year	\$ 176,878	63,428	240,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 920,800	195,874	1,116,674
Recivables:			
Property tax:			
Delinquent	-	1,273	1,273
Succeeding year	-	262,770	262,770
Due from other governments	236,418	-	236,418
Total assets	\$ 1,157,218	459,917	1,617,135
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 88,152	2,470	90,622
Deferred revenue:			
Succeeding year property tax	-	262,770	262,770
Total liabilities	88,152	265,240	353,392
Fund balances:			
Restricted for:			
School infrastructure	1,069,066	-	1,069,066
Physical plant and equipment	-	194,677	194,677
Total fund balances	1,069,066	194,677	1,263,743
Total liabilities and fund balances	\$ 1,157,218	459,917	1,617,135

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,493,065	248,544	1,741,609
Other	170	2,068	2,238
State sources	-	133	133
Total revenues	1,493,235	250,745	1,743,980
Expenditures:			
Current:			
Instruction:			
Regular	40,571	6,398	46,969
Support services:			
Instructional staff	534,052	19,029	553,081
Transportation	-	167,156	167,156
Capital outlay	922,505	25,319	947,824
Total expenditures	1,497,128	217,902	1,715,030
Excess(Deficiency) of revenues over(under) expenditures	(3,893)	32,843	28,950
Other financing uses:			
Transfer out	(400,000)	-	(400,000)
Change in fund balances	(403,893)	32,843	(371,050)
Fund balances beginning year	1,472,959	161,834	1,634,793
Fund balances end of year	\$ 1,069,066	194,677	1,263,743

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
ISJIT investment	\$ 33,985	1,322	-	-	35,307
Interest	-	263	-	(263)	-
Drama	4,650	4,392	3,727	6	5,321
Speech	-	-	2,814	3,699	885
Vocal	12,345	1,423	11,163	3,260	5,865
HS band	5,383	4,813	9,261	(721)	214
Football	17,173	26,320	20,851	(1,169)	21,473
Wrestling	-	5,308	9,676	4,368	-
Volleyball	2,740	5,420	5,408	3	2,755
Sports camp	851	-	-	(851)	-
Basketball	1,023	15,236	15,565	(96)	598
Soccer	-	1,842	3,641	1,799	-
Baseball-softball	80	6,393	11,804	5,331	-
Track	-	2,365	7,150	4,785	-
Golf	-	373	1,807	1,434	-
Swimming	-	1,892	2,672	780	-
Activity tickets	24,649	60,847	63,142	(21,112)	1,242
Letterwinners	115	-	-	(115)	-
Weight room	137	-	-	-	137
Tiger banner newspaper	466	-	-	(466)	-
Cheerleaders	380	1,430	986	1	825
HS class accounts	1,886	5,296	8,145	1,166	203
Concessions	18,451	33,120	24,186	(385)	27,000
Academic competitions	7,906	300	-	9	8,215
FFA	29,982	63,204	70,360	49	22,875
FCCLA	3,849	380	588	5	3,646
National honor society	1,854	3,115	2,942	2	2,029
HS student council	12,642	8,696	8,515	(1,147)	11,676
Fine arts festival	884	-	-	(884)	-
Yearbook	8,287	18,093	21,401	485	5,464
Dance/drill team	2,524	3,060	1,465	3	4,122
MS band	319	-	-	-	319
MS G+T Store	3,176	-	-	(786)	2,390
MS student council	2,578	3,742	7,111	793	2
MS youth market place	882	-	-	1	883
MS destination imagination	300	-	-	-	300
Adams student council	13,116	-	-	16	13,132
Total	\$ 212,613	278,645	314,380	-	176,878

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL 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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 9,161,499	8,924,836	8,745,648	8,144,639	8,432,270	7,579,640	7,668,564	8,335,891*	7,488,451*	7,546,200*
Tuition	782,296	711,985	729,694	570,046	560,213	570,581	473,976	-	-	-
Other	481,020	609,083	543,743	639,907	648,563	708,355	735,185	-	-	-
Intermediate sources	-	-	-	-	-	-	19,285	-	65	228
State sources	8,675,592	9,037,793	8,355,863	7,387,234	8,494,094	8,457,365	7,846,948	7,353,539	7,150,935	6,476,515
Federal sources	672,251	958,202	973,015	1,717,305	494,736	475,069	505,885	546,403	698,099	661,011
Total	\$ 19,772,658	20,241,899	19,347,863	18,459,131	18,629,876	17,791,010	17,249,843	16,235,833	15,337,550	14,683,954
Expenditures:										
Instruction:										
Regular	\$ 7,574,080	7,660,752	7,574,319	7,071,859	6,790,703	6,213,698	5,969,777	6,519,588	5,643,087	5,708,589
Special	2,407,454	2,133,100	2,167,965	1,870,050	2,026,319	2,071,485	1,927,109	1,724,461	1,984,390	2,153,381
Other	1,900,622	2,168,201	2,267,888	2,235,501	2,110,621	1,921,260	1,887,533	1,008,200	1,117,162	1,066,924
Support services:										
Student	587,067	626,522	500,560	531,269	460,891	392,422	390,182	377,605	479,114	524,577
Instructional staff	960,451	673,883	658,147	568,704	497,993	500,475	538,959	371,027	481,170	296,238
Administration	1,583,477	1,439,893	1,390,064	1,324,408	1,391,303	1,528,113	1,497,596	1,409,424	1,280,991	1,206,753
Operation and maintenance										
of plant	1,341,813	1,338,520	1,344,703	1,297,012	1,231,896	1,247,605	1,200,735	1,073,745	1,071,520	1,039,436
Transportation	1,265,576	1,207,497	1,139,647	1,129,790	1,112,221	929,136	1,216,032	775,040	786,821	708,661
Other support	-	-	-	-	-	-	-	-	435,669	1,003
Non-instructional programs	-	-	-	3,268	-	115	145	-	-	-
Capital outlay	947,824	440,167	467,219	305,835	729,289	611,628	65,729	38,090	61,717	260,167
Long-term debt:										
Principal	570,000	555,000	540,000	510,000	480,000	460,000	705,000	950,000	915,000	895,831
Interest and other charges	57,500	74,922	91,825	117,419	176,933	197,593	222,942	291,216	325,908	306,827
Other expenditures:										
AEA flow-through	686,282	673,805	743,780	743,060	677,165	665,070	630,994	584,151	570,404	565,814
Total	\$ 19,882,146	18,992,262	18,886,117	17,708,175	17,685,334	16,738,600	16,252,733	15,122,547	15,152,953	14,734,201

* Unable to breakout local source revenues prior to 2007 due to lack of information.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY13	\$ 55,174
National School Lunch Program	10.555	FY13	376,948 *
Special Milk Program for Children	10.556	FY13	3,951
			<u>436,073</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	<u>199,029</u>
Career and Technical Education - Basic Grants to States	84.048	FY13	<u>19,317</u>
Improving Teacher Quality State Grants	84.367	FY13	<u>77,867</u>
Grants for State Assessments and Related Activities	84.369	FY13	<u>11,245</u>
Heartland Area Education Agency 11:			
Special Education - Grants to States	84.027	FY13	<u>127,244</u>
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	FY13	<u>598</u>
Total			<u>\$ 871,373</u>

* - Includes \$61,190 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Carroll Community School 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

Carroll Community School District's Responses to Findings

Carroll Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Carroll 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 control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll 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.

March 20, 2014
Newton, Iowa

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**Independent Auditor's Report on Compliance for Each Major Federal Program,
on Internal Control over Compliance and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

To the Board of Education of Carroll Community School District:

Report on Compliance for Each Major Federal Program

We have audited Carroll Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Carroll Community School District's major federal programs for the year ended June 30, 2013. Carroll Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll 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 major federal program. However, our audit does not provide a legal determination of Carroll Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Carroll Community School District complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

The management of Carroll 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 Carroll Community School District's internal control over compliance with the types 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Carroll Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Carroll Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were noted during the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did qualify as a low-risk auditee.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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 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.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the amount budgeted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District purchased a Hy-Vee gift card to be given to the softball announcer. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review purchasing procedures it has in place with employees and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District has had a policy of not purchasing gift cards for several years. In this instance that policy was circumvented and the error was not discovered in a review of the bills. The District will remind all staff of the policy and not approve future gift card purchases.

Conclusion - Response accepted.

IV-C-13 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-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Tiefenthaler, Board Member Owns Performance Tire and Auto	Repairs Bus tires per bid	\$1,516 \$15,712
Jerry Fleshner, Board Member Athletic Official	Services	\$555
Jill Weber, Preschool Teacher Owns Stone Printing & Office Supplies	Supplies	\$22,753

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Members do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the District employee does not appear to represent a conflict of interest.

- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,472,959
Revenues:		
Sales tax revenues	\$ 1,493,065	
Other local revenues	170	1,493,235
		<u>2,966,194</u>
Expenditures/transfer out:		
School infrastructure construction	663,314	
Equipment	610,701	
Other	223,113	
Transfer to other funds:		
Debt service fund	400,000	1,897,128
		<u>1,897,128</u>
Ending Balance		<u>\$ 1,069,066</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.53121	\$ 400,000

IV-M-13 Contracts - We noted a contract with a DJ in the Activity Fund was not signed by the Board President. We also noted a contract to obligate the District for insurance was signed by the Activity Director instead of the Board President. Chapter 291.1 of the Code of Iowa requires the Board President to sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all contracts entered into by the District.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

FFA Account: We noted during our audit the FFA account in the Student Activity Fund was writing checks to individual students for money received at the fair.

Recommendation - According to Chapter 9 of the Uniform Administrative Procedures handbook, "It is never appropriate for a school district to give cash to student members of activity groups." The District should request the fair board to write the checks directly to the students.

Response - The District will contact the fair board and request checks be written directly to the student.

Conclusion - Response accepted.

Donations to Charitable Organizations: We noted during our audit the FFA account in the Student Activity Fund donated \$200 to the American Cancer Society. The money does not appear to be fundraised for the specific purpose of a donation.

Recommendation - Iowa Administrative Code Chapter 281-98.70(3)(d) includes "Payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified" as an inappropriate expenditure from the Student Activity Fund. If clubs in the Student Activity Fund wish to donate moneys to outside organizations, they must fundraise specifically for that purpose and document as such.

Response - The District has implemented a procedure for correcting the situation. All fundraisers are to receive prior approval from the administrative team at which time the purpose for the fundraiser is to be identified.

Conclusion - Response accepted.

Administratively Maintained Account: We noted during our audit the District has an Activity Ticket Investment account where it appears the District receipts all the interest earned during the year from investments at ISJIT.

Recommendation - Interest earned each year should be allocated on an annual basis by Board decision to the individual activity accounts that earned the interest.

Response - The Board will determine how this money will be distributed within the Student Activity Fund.

Conclusion - Response accepted.