

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

JUNE 30, 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Position	G 24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Financial Statements	29-39
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 47
Capital Projects Accounts:	
Combining Balance Sheet	3 48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6 51
Schedule of Expenditures of Federal Awards	7 52
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 <u>Government Auditing Standards</u>	53-54
Independent Auditor's Report on Compliance for Each Major Federal Program on Internal Control over Compliance required by OMB Circular A-133	55-56
Schedule of Findings and Questioned Costs	57-61

Carroll Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2013 Election)

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

(After September 2013 Election)

Kim Tiefenthaler	President	2015
LaVern Dirkx	Vice President	2015
Dan Tiefenthaler	Board Member	2015
Jennifer Munson	Board Member	2017
Duane Horsley	Board Member	2017

School Officials

Robert Cordes	Superintendent	2014
Gary Bengtson	Director of Business Affairs	2014
Lynch Dallas, P.C.	Attorney	2014

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, 2014, 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, 2014, 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 42 through 44 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 seven years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the two years ended June 30, 2006 (none of which are presented herein), and expressed unmodified 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 13, 2015 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 13, 2015
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$17,021,964 in fiscal 2013 to \$16,905,164 in fiscal 2014, while General Fund expenditures increased from \$16,866,103 in fiscal 2013 to \$17,610,419 in fiscal 2014. The net effect was a decrease in the District's General Fund balance from \$4,812,410 at June 30, 2013 to \$4,107,155 at June 30, 2014, a 14.65% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreased funding from local 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.

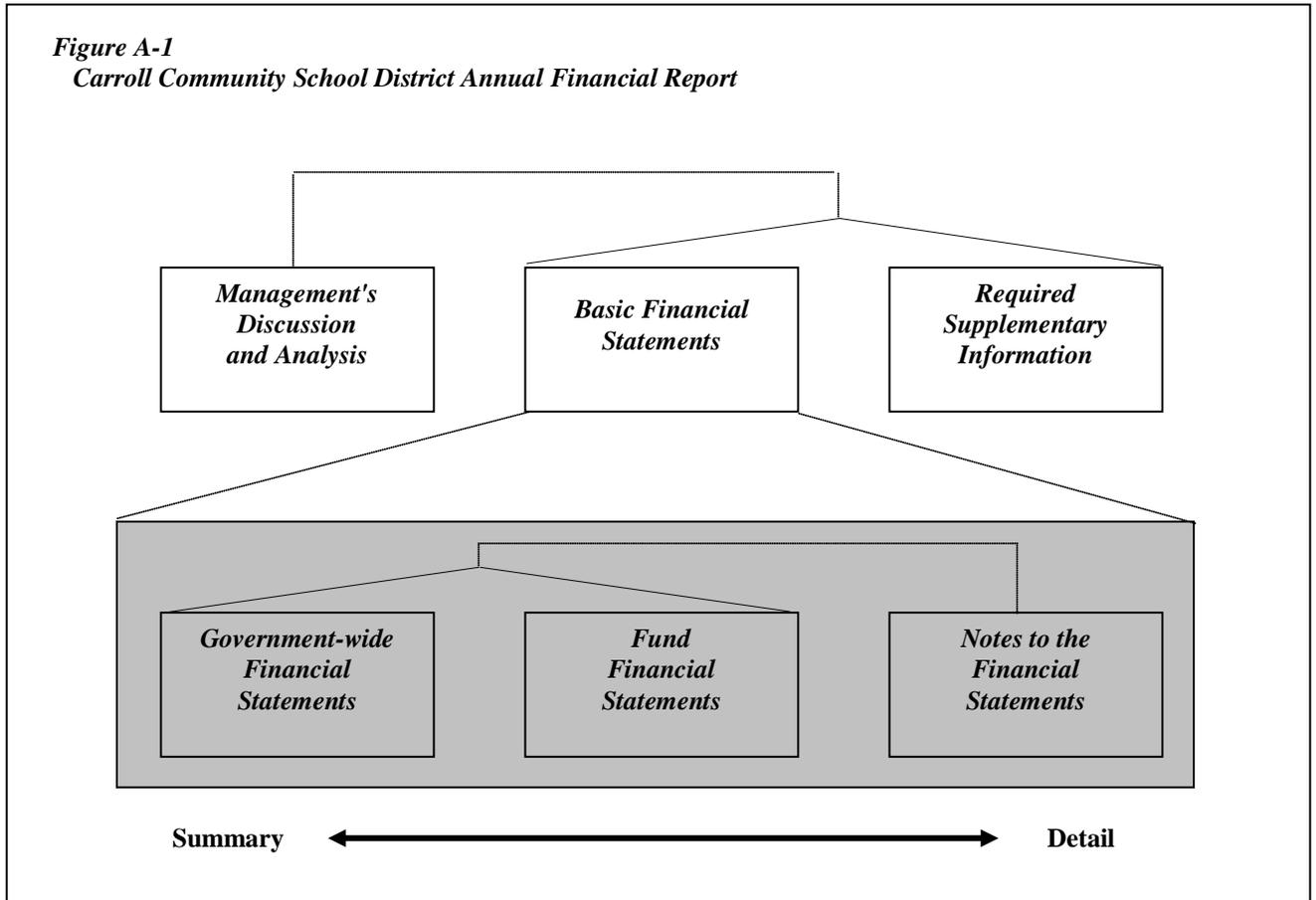


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 21,574,894	16,830,029	260,929	277,664	21,835,823	17,107,693	27.64%
Capital assets	19,040,258	16,713,452	196,865	135,785	19,237,123	16,849,237	14.17%
Total assets	40,615,152	33,543,481	457,794	413,449	41,072,946	33,956,930	20.96%
Long-term liabilities	8,422,689	1,982,443	18,565	15,773	8,441,254	1,998,216	322.44%
Other liabilities	2,496,256	1,900,878	22,250	19,416	2,518,506	1,920,294	31.15%
Total liabilities	10,918,945	3,883,321	40,815	35,189	10,959,760	3,918,510	179.69%
Deferred inflows of resources	8,009,184	7,465,976	-	-	8,009,184	7,465,976	7.28%
Net position:							
Net investment in capital assets	15,681,989	15,358,452	196,865	135,785	15,878,854	15,494,237	2.48%
Restricted	3,561,381	3,435,468	-	-	3,561,381	3,435,468	3.67%
Unrestricted	2,443,653	3,400,264	220,114	242,475	2,663,767	3,642,739	-26.87%
Total net position	\$ 21,687,023	22,194,184	416,979	378,260	22,104,002	22,572,444	-2.08%

The District's total net position decreased by 2.08%, or \$468,442, from 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 3.67%, or \$125,913, over the prior year. The increase in restricted fund balance was attributable to the increase in restricted fund balance for categorical funding.

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 \$978,972, or 26.87%. 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, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,053,308	1,145,538	483,035	469,886	1,536,343	1,615,424	-4.90%
Operating grants, contributions and restricted interest	2,479,972	2,199,997	453,198	444,234	2,933,170	2,644,231	10.93%
General revenues:							
Property tax	7,488,382	7,668,434	-	-	7,488,382	7,668,434	-2.35%
Statewide sales, services and use tax	1,472,115	1,493,065	-	-	1,472,115	1,493,065	-1.40%
Unrestricted state grants	6,903,293	7,236,303	-	-	6,903,293	7,236,303	-4.60%
Unrestricted investment earnings	12,744	2,053	75	134	12,819	2,187	486.15%
Other	302,062	27,268	2,562	4,595	304,624	31,863	856.04%
Total revenues	19,711,876	19,772,658	938,870	918,849	20,650,746	20,691,507	-0.20%
Program expenses:							
Governmental activities:							
Instructional	12,608,633	11,889,337	-	-	12,608,633	11,889,337	6.05%
Support services	6,033,393	5,637,025	34,507	23,579	6,067,900	5,660,604	7.20%
Non-instructional programs	-	-	865,644	847,217	865,644	847,217	2.18%
Other expenses	1,577,011	1,331,584	-	-	1,577,011	1,331,584	18.43%
Total expenses	20,219,037	18,857,946	900,151	870,796	21,119,188	19,728,742	7.05%
Excess (Deficiency) of revenues over (under) expenditures	(507,161)	914,712	38,719	48,053	(468,442)	962,765	-148.66%
Transfers	-	(36,810)	-	36,810	-	-	0.00%
Change in net position	(507,161)	877,902	38,719	84,863	(468,442)	962,765	-148.66%
Net position beginning of year	22,194,184	21,316,282	378,260	293,397	22,572,444	21,609,679	4.46%
Net position end of year	\$ 21,687,023	22,194,184	416,979	378,260	22,104,002	22,572,444	-2.08%

In fiscal 2014, property tax and unrestricted state grants account for 73.01% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.72% of the revenue from business type activities. The District's total revenues were \$20,650,746, of which \$19,711,876 was for governmental activities and \$938,870 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.20% decrease in revenues and a 7.05% increase in expenses. The decrease in revenues is related to the decrease in funding from local sources. The increase in expenses is related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$19,711,876 and expenses were \$20,219,037.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 12,608,633	11,889,337	6.05%	10,130,605	9,516,057	6.46%
Support services	6,033,393	5,637,025	7.03%	5,686,726	5,351,052	6.27%
Other expenses	1,577,011	1,331,584	18.43%	868,426	645,302	34.58%
Totals	<u>\$ 20,219,037</u>	<u>18,857,946</u>	<u>7.22%</u>	<u>16,685,757</u>	<u>15,512,411</u>	<u>7.56%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,053,308.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,479,972.
- The net cost of governmental activities was financed with \$7,488,382 in property tax, \$1,472,115 in statewide sales, services and use tax, \$6,903,293 in unrestricted state grants, \$12,744 in interest income and \$302,062 in other general revenues.

Business Type Activities

Revenues of the District's business type activity were \$938,870 and expenses were \$900,151. 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 \$11,255,687, above last year's ending fund balances of \$7,470,435. The primary reason for the increase in combined fund balances was the issuance of revenue bonds which have not yet been expended for capital projects.

Governmental Fund Highlights

- The General Fund balance decreased from \$4,812,410 at June 30, 2013 to \$4,107,155 at June 30, 2014. Revenues decreased 0.69% and expenditures increased 4.41% when compared with the prior year contributing to the decline in fund balance during fiscal year 2014.
- The Capital Projects Fund balance increased from \$1,263,743 at June 30, 2013 to \$5,471,968 at June 30, 2014. The increase is mainly due to \$4,206,731 of unexpended revenue bond proceeds issued to finance the District's middle school and high school projects.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$378,260 at June 30, 2013 to \$416,979 at June 30, 2014, representing an increase of 10.24%. This increase was primarily the result of an increase in local source revenue 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 \$300,558 more than budgeted revenues, a variance of 1.48%. The most significant dollar variance resulted from the District receiving more from state 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, 2014, the District had invested \$19,237,123, 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 14.17% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,092,561.

The original cost of the District's capital assets was \$38,819,237. Governmental funds account for \$38,169,146 with the remainder of \$650,091 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 \$2,305,745 at June 30, 2014 as compared to \$340,440 at June 30, 2013. The increase in construction in progress is due to work on the District's additions to the middle school and the high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 694,070	694,070	-	-	694,070	694,070	0.00%
Construction in progress	2,305,745	340,440	-	-	2,305,745	340,440	577.28%
Buildings	12,109,962	11,970,967	-	-	12,109,962	11,970,967	1.16%
Land improvements	1,753,186	1,516,910	-	-	1,753,186	1,516,910	15.58%
Machinery and equipment	2,177,295	2,191,065	196,865	135,785	2,374,160	2,326,850	2.03%
Total	<u>\$ 19,040,258</u>	<u>16,713,452</u>	<u>196,865</u>	<u>135,785</u>	<u>19,237,123</u>	<u>16,849,237</u>	<u>14.17%</u>

Long-Term Debt

At June 30, 2014, the District had \$8,441,254 in general obligation bonds and other long-term debt outstanding. This represents an increase of approximately 322.44% 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 \$765,000 at June 30, 2014.

The District had total outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$6,800,000 at June 30, 2014.

The District had total outstanding compensated absences payable from the General Fund of \$59,593 at June 30, 2014.

The District had outstanding termination benefits of \$255,300 at June 30, 2014; \$34,437 is payable from the General Fund and \$220,863 is payable from the Special Revenue, Management Levy Fund.

The District also had net OPEB liability of \$561,361 at June 30, 2014. Governmental activities account for \$542,796 while business type activities account for \$18,565.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 765,000	1,355,000	-	-	765,000	1,355,000	-43.54%
Revenue bonds	6,800,000	-	-	-	6,800,000	-	100.00%
Compensated absences	59,593	58,565	-	-	59,593	58,565	1.76%
Termination benefits	255,300	107,651	-	-	255,300	107,651	137.16%
Net OPEB liability	542,796	461,227	18,565	15,773	561,361	477,000	17.69%
Total	<u>\$ 8,422,689</u>	<u>1,982,443</u>	<u>18,565</u>	<u>15,773</u>	<u>8,441,254</u>	<u>1,998,216</u>	<u>322.44%</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 District recognizes that because of revenue constraints on the General Fund, maintaining current instructional programming will be a challenge. During the budgeting process for fiscal year 2014-2015 the District approved a number of expenditure decreases including staff reductions. Even with these reductions the District will experience a further decline in the General Fund ending balance for the 2014-2015 fiscal year. On September 9, 2014 District voters approved an Instructional Support Levy which will generate nearly one million dollars in additional General Fund dollars. Funds from this levy will not begin to be realized by the District until fiscal year 2015-2016.

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, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 12,681,355	226,092	12,907,447
Receivables:			
Property tax:			
Delinquent	34,178	-	34,178
Succeeding year	8,009,184	-	8,009,184
Accounts	734	-	734
Due from other governments	822,557	6,236	828,793
Inventories	-	22,650	22,650
Prepaid items	26,886	5,951	32,837
Capital assets, net of accumulated depreciation	19,040,258	196,865	19,237,123
Total assets	40,615,152	457,794	41,072,946
Liabilities			
Accounts payable	656,112	339	656,451
Salaries and benefits payable	1,653,572	4,844	1,658,416
Advances from grantors	339	-	339
Accrued interest payable	186,233	-	186,233
Unearned revenue	-	17,067	17,067
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	600,000	-	600,000
Termination benefits payable	255,300	-	255,300
Compensated absences payable	59,593	-	59,593
Portion due after one year:			
General obligation bonds payable	165,000	-	165,000
Revenue bonds payable	6,800,000	-	6,800,000
Net OPEB liability	542,796	18,565	561,361
Total liabilities	10,918,945	40,815	10,959,760
Deferred Inflows of Resources			
Unavailable property tax revenue	8,009,184	-	8,009,184
Net Position			
Net investment in capital assets	15,681,989	196,865	15,878,854
Restricted for:			
Categorical funding	1,026,676	-	1,026,676
Debt service	60,929	-	60,929
Management levy purposes	1,053,258	-	1,053,258
Student activities	155,281	-	155,281
School infrastructure	1,085,679	-	1,085,679
Physical plant and equipment	179,558	-	179,558
Unrestricted	2,443,653	220,114	2,663,767
Total net position	\$ 21,687,023	416,979	22,104,002

SEE NOTES TO FINANCIAL STATEMENTS.

**CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 7,961,819	502,586	332,311	(7,126,922)	-	(7,126,922)
Special	2,647,199	276,649	354,171	(2,016,379)	-	(2,016,379)
Other	1,999,615	218,202	794,109	(987,304)	-	(987,304)
	<u>12,608,633</u>	<u>997,437</u>	<u>1,480,591</u>	<u>(10,130,605)</u>	<u>-</u>	<u>(10,130,605)</u>
Support services:						
Student	699,796	-	18,871	(680,925)	-	(680,925)
Instructional staff	634,127	-	-	(634,127)	-	(634,127)
Administration	1,612,381	-	-	(1,612,381)	-	(1,612,381)
Operation and maintenance of plant	1,684,244	-	-	(1,684,244)	-	(1,684,244)
Transportation	1,402,845	55,871	271,925	(1,075,049)	-	(1,075,049)
	<u>6,033,393</u>	<u>55,871</u>	<u>290,796</u>	<u>(5,686,726)</u>	<u>-</u>	<u>(5,686,726)</u>
Long-term debt interest	218,754	-	-	(218,754)	-	(218,754)
Other expenses:						
AEA flowthrough	708,585	-	708,585	-	-	-
Depreciation(unallocated)*	649,672	-	-	(649,672)	-	(649,672)
	<u>1,358,257</u>	<u>-</u>	<u>708,585</u>	<u>(649,672)</u>	<u>-</u>	<u>(649,672)</u>
Total governmental activities	<u>20,219,037</u>	<u>1,053,308</u>	<u>2,479,972</u>	<u>(16,685,757)</u>	<u>-</u>	<u>(16,685,757)</u>
Business type activities:						
Support services:						
Administration	5,449	-	-	-	(5,449)	(5,449)
Operation and maintenance of plant	29,058	-	-	-	(29,058)	(29,058)
	<u>34,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,507)</u>	<u>(34,507)</u>
Non-instructional programs:						
Food service operations	865,644	483,035	453,198	-	70,589	70,589
Total business type activities	<u>900,151</u>	<u>483,035</u>	<u>453,198</u>	<u>-</u>	<u>36,082</u>	<u>36,082</u>
Total	<u>\$ 21,119,188</u>	<u>1,536,343</u>	<u>2,933,170</u>	<u>(16,685,757)</u>	<u>36,082</u>	<u>(16,649,675)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 6,994,648	-	6,994,648
Debt service				230,201	-	230,201
Capital outlay				263,533	-	263,533
Statewide sales, services and use tax				1,472,115	-	1,472,115
Unrestricted state grants				6,903,293	-	6,903,293
Unrestricted investment earnings				12,744	75	12,819
Other general revenues				302,062	2,562	304,624
Total general revenues & transfers				<u>16,178,596</u>	<u>2,637</u>	<u>16,181,233</u>
Change in net position				(507,161)	38,719	(468,442)
Net position beginning of year				<u>22,194,184</u>	<u>378,260</u>	<u>22,572,444</u>
Net position end of year				<u>\$ 21,687,023</u>	<u>416,979</u>	<u>22,104,002</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, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 5,164,898	5,840,480	1,675,977	12,681,355
Receivables:				
Property tax:				
Delinquent	29,468	1,167	3,543	34,178
Succeeding year	6,887,456	301,909	819,819	8,009,184
Accounts	107	-	627	734
Due from other governments	706,293	116,264	-	822,557
Prepaid items	26,886	-	-	26,886
Total assets	\$ 12,815,108	6,259,820	2,499,966	21,574,894
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 166,586	485,943	3,583	656,112
Salaries and benefits payable	1,653,572	-	-	1,653,572
Advances from grantors	339	-	-	339
Total liabilities	1,820,497	485,943	3,583	2,310,023
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	6,887,456	301,909	819,819	8,009,184
Fund balances:				
Nonspendable	26,886	-	-	26,886
Restricted for:				
Categorical funding	1,026,676	-	-	1,026,676
Debt service	-	-	247,162	247,162
Management levy purposes	-	-	1,274,121	1,274,121
Student activities	-	-	155,281	155,281
School infrastructure	-	5,292,410	-	5,292,410
Physical plant and equipment	-	179,558	-	179,558
Unassigned	3,053,593	-	-	3,053,593
Total fund balances	4,107,155	5,471,968	1,676,564	11,255,687
Total liabilities, deferred inflows of resources and fund balances	\$ 12,815,108	6,259,820	2,499,966	21,574,894

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$	11,255,687
---	----	------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		19,040,258
--	--	------------

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.		(186,233)
--	--	-----------

Long-term liabilities, including general obligation bonds, revenue 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.		(8,422,689)
---	--	-------------

Net position governmental activities(page 18)	\$	<u>21,687,023</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, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 6,442,997	263,533	781,852	7,488,382
Tuition	722,264	-	-	722,264
Other	440,988	2,125	287,726	730,839
State sources	8,636,469	1,472,255	421	10,109,145
Federal sources	661,246	-	-	661,246
Total revenues	<u>16,903,964</u>	<u>1,737,913</u>	<u>1,069,999</u>	<u>19,711,876</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,661,647	11,120	190,510	7,863,277
Special	2,636,099	-	-	2,636,099
Other	1,719,791	-	290,092	2,009,883
	<u>12,017,537</u>	<u>11,120</u>	<u>480,602</u>	<u>12,509,259</u>
Support services:				
Student	678,765	-	-	678,765
Instructional staff	469,124	168,316	2,500	639,940
Administration	1,485,323	73,122	10,034	1,568,479
Operation and maintenance of plant	1,236,774	17,224	169,957	1,423,955
Transportation	1,014,311	226,268	78,013	1,318,592
	<u>4,884,297</u>	<u>484,930</u>	<u>260,504</u>	<u>5,629,731</u>
Capital outlay	-	3,250,468	-	3,250,468
Long-term debt:				
Principal	-	-	590,000	590,000
Interest and fiscal charges	-	-	39,781	39,781
	<u>-</u>	<u>-</u>	<u>629,781</u>	<u>629,781</u>
Other expenditures:				
AEA flowthrough	708,585	-	-	708,585
Total expenditures	<u>17,610,419</u>	<u>3,746,518</u>	<u>1,370,887</u>	<u>22,727,824</u>
Deficiency of revenues under expenditures	(706,455)	(2,008,605)	(300,888)	(3,015,948)
Other financing sources(uses):				
Transfer in	-	-	583,170	583,170
Transfer out	-	(583,170)	-	(583,170)
Issuance of revenue bonds	-	6,800,000	-	6,800,000
Proceeds from disposal of equipment	1,200	-	-	1,200
Total other financing sources(uses)	<u>1,200</u>	<u>6,216,830</u>	<u>583,170</u>	<u>6,801,200</u>
Change in fund balances	(705,255)	4,208,225	282,282	3,785,252
Fund balances beginning of year	<u>4,812,410</u>	<u>1,263,743</u>	<u>1,394,282</u>	<u>7,470,435</u>
Fund balances end of year	<u>\$ 4,107,155</u>	<u>5,471,968</u>	<u>1,676,564</u>	<u>11,255,687</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, 2014

Change in fund balances - total governmental funds(page 22) \$ 3,785,252

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 and depreciation expense in the current year are as follows:

Capital outlay	\$ 3,393,847	
Depreciation expense	<u>(1,067,041)</u>	2,326,806

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances exceeded repayments as follows:

Issued	(6,800,000)	
Repaid	<u>590,000</u>	(6,210,000)

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. (178,973)

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	(147,649)	
Compensated absences	(1,028)	
Other postemployment benefits	<u>(81,569)</u>	<u>(230,246)</u>

Change in net position of governmental activities(page 19) \$ (507,161)

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUND
JUNE 30, 2014

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 226,092
Due from other governments	6,236
Inventories	22,650
Prepaid items	5,951
Total current assets	260,929
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	196,865
Total assets	457,794
Liabilities	
Current liabilities:	
Accounts payable	339
Salaries and benefits payable	4,844
Unearned revenue	17,067
Total current liabilities	22,250
Long-term liabilities:	
Net OPEB liability	18,565
Total liabilities	40,815
Net Position	
Net investment in capital assets	196,865
Unrestricted	220,114
Total net position	\$ 416,979

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, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 483,035
Miscellaneous	2,562
Total operating revenues	485,597
Operating expenses:	
Support services:	
Administration:	
Services	300
Other	5,149
Operation and maintenance of plant:	
Services	13,448
Supplies	15,610
Total support services	34,507
Non-instructional programs:	
Food service operations:	
Salaries	304,340
Benefits	126,593
Services	900
Supplies	407,542
Other	749
Depreciation	25,520
Total non-instructional programs	865,644
Total operating expenses	900,151
Operating loss	(414,554)
Non-operating revenues:	
State sources	8,404
Federal sources	444,794
Interest income	75
Total non-operating revenues	453,273
Change in net position	38,719
Net position beginning of year	378,260
Net position end of year	\$ 416,979

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from food service operations *	\$ 479,823
Cash received from miscellaneous	2,562
Cash payments to employees for services	(427,847)
Cash payments to suppliers for goods or services	(382,337)
Net cash used in operating activities	(327,799)
Cash flows from non-capital financing activities:	
State grants received	8,404
Federal grants received	380,654
Net cash provided by non-capital financing activities	389,058
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(86,600)
Cash flows from investing activities:	
Interest on investments	75
Net decrease in cash and cash equivalents	(25,266)
Cash and cash equivalents beginning of year	251,358
Cash and cash equivalents end of year	\$ 226,092
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (414,554)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	63,801
Depreciation	25,520
Decrease in prepaid items	484
Increase in inventories	(2,779)
Increase in accounts receivable	(5,897)
Increase in accounts payable	339
Decrease in salaries and benefits payable	(190)
Increase in unearned revenue	2,685
Increase in other postemployment benefits	2,792
Net cash used in operating activities	\$ (327,799)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$63,801 of federal commodities.

* - 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.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 71,024
Liabilities	-
Net Position	
Restricted for scholarships	\$ 71,024

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Contributions	\$ 3,010
Interest income	743
Total additions	<u>3,753</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>1,000</u>
Change in net position	2,753
Net position beginning of year	<u>68,271</u>
Net position end of year	<u>\$ 71,024</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$4,796,604 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, 2014, 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, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 583,170</u>

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, 2014 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	3,271,432	1,306,127	2,305,745
Total capital assets not being depreciated	1,034,510	3,271,432	1,306,127	2,999,815
Capital assets being depreciated:				
Buildings	21,797,617	713,391	-	22,511,008
Land improvements	2,369,935	311,552	-	2,681,487
Machinery and equipment	9,681,155	403,599	107,918	9,976,836
Total capital assets being depreciated	33,848,707	1,428,542	107,918	35,169,331
Less accumulated depreciation for:				
Buildings	9,826,650	574,396	-	10,401,046
Land improvements	853,025	75,276	-	928,301
Machinery and equipment	7,490,090	417,369	107,918	7,799,541
Total accumulated depreciation	18,169,765	1,067,041	107,918	19,128,888
Total capital assets being depreciated, net	15,678,942	361,501	-	16,040,443
Governmental activities capital assets, net	\$ 16,713,452	3,632,933	1,306,127	19,040,258
Business type activities:				
Machinery and equipment	\$ 563,491	86,600	-	650,091
Less accumulated depreciation	427,706	25,520	-	453,226
Business type activities capital assets, net	\$ 135,785	61,080	-	196,865

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 87,842
Special	14,174
Other	29,525
Support services:	
Student	2,985
Instructional staff	17,944
Administration	6,379
Operation and maintenance	11,718
Transportation	246,802
	<u>417,369</u>
Unallocated depreciation	<u>649,672</u>
Total governmental activities depreciation expense	<u>\$ 1,067,041</u>
Business type activities:	
Food service operations	<u>\$ 25,520</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,355,000	-	590,000	765,000	600,000
Revenue bonds	-	6,800,000	-	6,800,000	-
Compensated absences	58,565	59,593	58,565	59,593	59,593
Termination benefits	107,651	289,737	142,088	255,300	255,300
Net OPEB liability	461,227	81,569	-	542,796	-
Total	<u>\$ 1,982,443</u>	<u>7,230,899</u>	<u>790,653</u>	<u>8,422,689</u>	<u>914,893</u>
Business Type Activities					
Net OPEB liability	<u>\$ 15,773</u>	<u>2,792</u>	<u>-</u>	<u>18,565</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009			
	Interest Rates	Principal	Interest	Total
2015	3.000-3.375	% \$ 600,000	19,313	619,313
2016	3.000-3.375	165,000	3,975	168,975
Total		<u>\$ 765,000</u>	<u>23,288</u>	<u>788,288</u>

Revenue Bonds Payable

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2, 2013				
	Interest Rates		Principal	Interest	Total
2015	3.600	%	\$ -	305,320	305,320
2016	3.600		101,000	244,800	345,800
2017	3.600		294,000	239,310	533,310
2018	3.600		393,000	227,070	620,070
2019	3.600		408,000	212,796	620,796
2020-2024	3.600		2,273,000	830,736	3,103,736
2025-2029	3.600		2,725,000	386,190	3,111,190
2030	3.600		606,000	16,416	622,416
Total			\$ 6,800,000	2,462,638	9,262,638

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,800,000 issued in October 2013. The bonds were issued for the purpose of financing a portion of the costs of remodeling school buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 21% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$9,262,638. For the current year, no principal or interest was paid on the bonds and total statewide sales, service and use tax revenues were \$1,472,115.

Termination Benefits

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 60% 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, 2014, the District has obligations to twelve participants with a total liability of \$255,300, of which \$220,863 is payable from the Management Levy Fund and \$34,437 is payable from the General Fund. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$142,088.

(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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$930,995, \$879,122 and \$808,440 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, 2014, 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	21,465
Adjustment to annual required contribution	(18,104)
Annual OPEB cost	<u>155,361</u>
Contributions made	<u>(71,000)</u>
Increase in net OPEB obligation	84,361
Net OPEB obligation - beginning of year	<u>477,000</u>
Net OPEB obligation - end of year	<u><u>\$ 561,361</u></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, 2014.

For fiscal year 2014, the District contributed \$71,000 to the medical plan. Plan members receiving benefits contributed \$136,000, or 65.70% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 140,257	70.58%	\$ 370,257
2013	154,743	31.02%	477,000
2014	155,361	45.70%	561,361

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$9,808,617, and the ratio of the UAAL to the covered payroll was 12.4%. As of June 30, 2014, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 \$708,585 for the year ended June 30, 2014 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 \$2,995,118 for the construction of a middle school addition and a high school addition. As of June 30, 2014, costs of \$2,305,745 had been incurred against the contracts. The balance of \$689,373 remaining at June 30, 2014 will be paid as work on the projects progress.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 9,901
Gifted and Talented Programs	208,885
Returning Dropouts and Dropout Prevention Programs	479,003
Four-year-old Preschool State Aid	83,085
Successful Progression for Early Readers	25,759
Teacher Salary Supplement	105,500
Beginning Administrator Mentoring and Induction Program	3,000
Professional Development for Model Core Curriculum	23,705
Textbook Aid for Nonpublic Students	1,259
Teacher Leadership Grants	6,605
Professional Development	79,974
Total	<u>\$ 1,026,676</u>

(12) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	247,162	1,274,121	5,292,410	3,053,593
Capital assets, net of accumulated depreciation	19,040,258	-	-	-	-
General Obligation bond capitalized indebtedness	(765,000)	-	-	-	-
Revenue bond capitalized indebtedness	(2,593,269)	-	-	-	-
Unspent revenue bond proceeds	-	-	-	(4,206,731)	-
Termination benefits	-	-	(220,863)	-	(34,437)
Compensated absences	-	-	-	-	(59,593)
Accrued interest payable	-	(186,233)	-	-	-
Net OPEB liability	-	-	-	-	(542,796)
Nonspendable fund balance	-	-	-	-	26,886
	<u>\$ 15,681,989</u>	<u>60,929</u>	<u>1,053,258</u>	<u>1,085,679</u>	<u>2,443,653</u>

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Carroll Community School District

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,941,485	485,672	9,427,157	11,076,552	11,076,552	(1,649,395)
State sources	10,109,145	8,404	10,117,549	8,200,136	8,200,136	1,917,413
Federal sources	661,246	444,794	1,106,040	1,073,500	1,073,500	32,540
Total revenues	19,711,876	938,870	20,650,746	20,350,188	20,350,188	300,558
Expenditures/Expenses:						
Instruction	12,509,259	-	12,509,259	13,411,900	13,600,000	1,090,741
Support services	5,629,731	34,507	5,664,238	6,084,475	6,250,000	585,762
Non-instructional programs	-	865,644	865,644	895,650	1,050,000	184,356
Other expenditures	4,588,834	-	4,588,834	3,146,131	5,000,000	411,166
Total expenditures/expenses	22,727,824	900,151	23,627,975	23,538,156	25,900,000	2,272,025
Excess(Deficiency)of revenues over(under) expenditures/expenses	(3,015,948)	38,719	(2,977,229)	(3,187,968)	(5,549,812)	2,572,583
Other financing sources, net	6,801,200	-	6,801,200	(2,903)	(2,903)	6,804,103
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	3,785,252	38,719	3,823,971	(3,190,871)	(5,552,715)	9,376,686
Balances beginning of year	7,470,435	378,260	7,848,695	6,938,131	6,938,131	910,564
Balances end of year	\$ 11,255,687	416,979	11,672,666	3,747,260	1,385,416	10,287,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 \$2,361,844.

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%
2014	July 1, 2012	-	1,212,000	1,212,000	0.0%	9,808,617	12.4%

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
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 1,272,238	157,597	1,429,835	246,142	1,675,977
Receivables:					
Property tax:					
Delinquent	2,523	-	2,523	1,020	3,543
Succeeding year	600,002	-	600,002	219,817	819,819
Accounts	-	627	627	-	627
Total assets	\$ 1,874,763	158,224	2,032,987	466,979	2,499,966
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 640	2,943	3,583	-	3,583
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	600,002	-	600,002	219,817	819,819
Fund balances:					
Restricted for:					
Debt service	-	-	-	247,162	247,162
Management levy purposes	1,274,121	-	1,274,121	-	1,274,121
Student activities	-	155,281	155,281	-	155,281
Total fund balances	1,274,121	155,281	1,429,402	247,162	1,676,564
Total liabilities, deferred inflows of resources and fund balances	\$ 1,874,763	158,224	2,032,987	466,979	2,499,966

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 551,651	-	551,651	230,201	781,852
Other	19,208	268,495	287,703	23	287,726
State sources	300	-	300	121	421
Total revenues	<u>571,159</u>	<u>268,495</u>	<u>839,654</u>	<u>230,345</u>	<u>1,069,999</u>
Expenditures:					
Current:					
Instruction:					
Regular	190,510	-	190,510	-	190,510
Other	-	290,092	290,092	-	290,092
Support services:					
Instructional staff	2,500	-	2,500	-	2,500
Administration	10,034	-	10,034	-	10,034
Operation and maintenance of plant	169,957	-	169,957	-	169,957
Transportation	78,013	-	78,013	-	78,013
Long-term debt:					
Principal	-	-	-	590,000	590,000
Interest and fiscal charges	-	-	-	39,781	39,781
Total expenditures	<u>451,014</u>	<u>290,092</u>	<u>741,106</u>	<u>629,781</u>	<u>1,370,887</u>
Excess(Deficiency) of revenues over(under) expenditures	120,145	(21,597)	98,548	(399,436)	(300,888)
Other financing sources:					
Transfer in	-	-	-	583,170	583,170
Change in fund balances	120,145	(21,597)	98,548	183,734	282,282
Fund balances beginning of year	<u>1,153,976</u>	<u>176,878</u>	<u>1,330,854</u>	<u>63,428</u>	<u>1,394,282</u>
Fund balance end of year	<u>\$ 1,274,121</u>	<u>155,281</u>	<u>1,429,402</u>	<u>247,162</u>	<u>1,676,564</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 5,662,089	178,391	5,840,480
Receivables:			
Property tax:			
Delinquent	-	1,167	1,167
Succeeding year	-	301,909	301,909
Due from other governments	116,264	-	116,264
Total assets	\$ 5,778,353	481,467	6,259,820
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 485,943	-	485,943
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	301,909	301,909
Fund balances:			
Restricted for:			
School infrastructure	5,292,410	-	5,292,410
Physical plant and equipment	-	179,558	179,558
Total fund balances	5,292,410	179,558	5,471,968
Total liabilities, deferred inflows of resources and fund balances	\$ 5,778,353	481,467	6,259,820

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	263,533	263,533
Other	2,099	26	2,125
State sources	1,472,115	140	1,472,255
Total revenues	1,474,214	263,699	1,737,913
Expenditures:			
Current:			
Instruction:			
Regular	5,762	5,358	11,120
Support services:			
Instructional staff	145,413	22,903	168,316
Administration	72,190	932	73,122
Operation and maintenance of plant	-	17,224	17,224
Transportation	-	226,268	226,268
Capital outlay	3,244,335	6,133	3,250,468
Total expenditures	3,467,700	278,818	3,746,518
Deficiency of revenues under expenditures	(1,993,486)	(15,119)	(2,008,605)
Other financing sources(uses):			
Transfer out	(583,170)	-	(583,170)
Issuance of revenue bonds	6,800,000	-	6,800,000
Total other financing sources(uses)	6,216,830	-	6,216,830
Change in fund balances	4,223,344	(15,119)	4,208,225
Fund balances beginning year	1,069,066	194,677	1,263,743
Fund balances end of year	\$ 5,292,410	179,558	5,471,968

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
ISJIT investment	\$ 35,307	482	17	(2)	35,770
Interest	-	171	-	(171)	-
Drama	5,321	3,296	5,339	24	3,302
Speech	885	744	2,890	1,261	-
Vocal	5,865	2,685	13,415	4,865	-
HS band	214	6,017	10,161	3,930	-
Football	21,473	28,130	17,927	(12,440)	19,236
Wrestling	-	6,048	6,592	544	-
Volleyball	2,755	4,267	3,469	3	3,556
Basketball	598	15,077	22,099	6,424	-
Soccer	-	1,207	6,710	5,503	-
Baseball-softball	-	12,959	12,860	2	101
Track	-	6,222	12,566	6,344	-
Golf	-	500	1,667	1,167	-
Swimming	-	1,643	3,852	2,209	-
Activity tickets	1,242	64,212	40,803	(413)	24,238
Weight room	137	-	-	-	137
Cheerleaders	825	1,699	4,941	2,417	-
HS class accounts	203	2,397	6,508	3,908	-
Concessions	27,000	3,279	4,659	(25,620)	-
Academic competitions	8,215	-	-	8	8,223
FFA	22,875	64,800	65,183	(173)	22,319
FCCLA	3,646	254	-	3	3,903
National honor society	2,029	3,504	3,312	2	2,223
HS student council	11,676	10,447	11,541	(28)	10,554
Yearbook	5,464	19,022	20,272	12	4,226
Dance/drill team	4,122	1,723	3,874	3	1,974
MS band	319	-	-	1	320
MS G+T Store	2,390	-	-	(2,227)	163
MS student council	2	3,302	5,133	2,229	400
MS youth market place	883	-	-	1	884
MS destination imagination	300	-	-	201	501
Adams student council	13,132	4,408	4,302	13	13,251
Total	\$ 176,878	268,495	290,092	-	155,281

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 7,488,382	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*
Tuition	722,264	782,296	711,985	729,694	570,046	560,213	570,581	473,976	-	-
Other	730,839	481,020	609,083	543,743	639,907	648,563	708,355	735,185	-	-
Intermediate sources	-	-	-	-	-	-	-	19,285	-	65
State sources	10,109,145	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
Federal sources	661,246	672,251	958,202	973,015	1,717,305	494,736	475,069	505,885	546,403	698,099
Total	\$ 19,711,876	19,772,658	20,241,899	19,347,963	18,459,131	18,629,876	17,791,010	17,249,843	16,235,833	15,337,550
Expenditures:										
Instruction:										
Regular	\$ 7,863,277	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
Special	2,636,099	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
Other	2,009,883	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
Support services:										
Student	678,765	587,067	626,522	500,560	531,269	460,891	392,422	390,182	377,605	479,114
Instructional staff	639,940	960,451	673,883	658,147	568,704	497,993	500,475	538,959	371,027	481,170
Administration	1,568,479	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
Operation and maintenance										
of plant	1,423,955	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
Transportation	1,318,592	1,265,576	1,207,497	1,139,647	1,129,790	1,112,221	929,136	1,216,032	775,040	786,821
Other support	-	-	-	-	-	-	-	-	-	435,669
Non-instructional programs	-	-	-	-	3,268	-	115	145	-	-
Capital outlay	3,250,468	947,824	440,167	467,219	305,835	729,289	611,628	65,729	38,090	61,717
Long-term debt:										
Principal	590,000	570,000	555,000	540,000	510,000	480,000	460,000	705,000	950,000	915,000
Interest and other charges	39,781	57,500	74,922	91,825	117,419	176,933	197,593	222,942	291,216	325,908
Other expenditures:										
AEA flow-through	708,585	686,282	673,805	743,780	743,060	677,165	665,070	630,994	584,151	570,404
Total	\$ 22,727,824	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

* 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, 2014

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	FY14	\$ 56,148
National School Lunch Program	10.555	FY14	385,779 *
Special Milk Program for Children	10.556	FY14	<u>2,867</u>
			<u>444,794</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	180,643
Title I Grants to Local Educational Agencies	84.010	1701-GC	<u>29,352</u>
			<u>209,995</u>
Career and Technical Education - Basic Grants to States	84.048	FY14	<u>19,461</u>
Improving Teacher Quality State Grants	84.367	FY14	<u>74,403</u>
Grants for State Assessments and Related Activities	84.369	FY14	<u>9,289</u>
Heartland Area Education Agency 11:			
Special Education - Grants to States	84.027	FY14	<u>111,907</u>
Total			<u>\$ 869,849</u>

* - Includes \$63,801 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015.

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, 2014 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 13, 2015
Newton, Iowa

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 Compliance for Each Major Federal Program,
on Internal Control over Compliance 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, 2014. 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 of the 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, 2014.

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 13, 2015
Newton, Iowa

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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:
 - Child Nutrition Cluster:
 - 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, 2014

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-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the amount budgeted.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 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-14 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	Repairs	\$1,343
Owns Performance Tire and Auto	Bus tires per bid	\$19,303
Owns LMS rentals and storage units	Rental	\$720
Jerry Fleshner, Board Member		
Athletic Official	Services	\$475
Jill Weber, Preschool Teacher		
Owns Stone Printing & Office Supplies	Supplies	\$15,947

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-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 1.35 students.

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

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

Conclusion - Response accepted.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,069,066
Revenues:		
Sales tax revenues	\$ 1,472,115	
Sale of revenue bonds	6,800,000	
Other local revenues	2,099	8,274,214
		<u>9,343,280</u>
Expenditures/transfer out:		
School infrastructure construction	3,073,216	
Equipment	150,395	
Other	244,089	
Transfer to other funds:		
Debt service fund	583,170	4,050,870
		<u>4,050,870</u>
Ending Balance		<u>\$ 5,292,410</u>

For the year ended June 30, 2014, 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	<u>\$ 0.73238</u>	<u>\$ 583,170</u>

IV-M-14 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 Carroll County Fair Board and request checks be written directly to the students.

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 District will annually allocate all interest earned to the individual activity account that earned the interest.

Conclusion - Response accepted.