

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

JUNE 30, 2015

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**Carroll Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Kim Tiefenthaler	President	2015
Duane Horsley	Vice President	2017
Dan Tiefenthaler	Board Member	2015
Jennifer Munson	Board Member	2017
LaVern Dirx	Board Member	2015
<b>School Officials</b>		
Robert Cordes	Superintendent	2015
Gary Bengtson	Director of Business Affairs	2015
Lynch Dallas, P.C.	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education  
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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, Carroll Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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 eight years ended June 30, 2014 (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 year ended June 30, 2006 (none of which are presented herein), and expressed an unmodified opinion 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 8, 2016 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 8, 2016  
Newton, Iowa

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

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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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$16,905,164 in fiscal year 2014 to \$17,026,990 in fiscal year 2015, while General Fund expenditures decreased from \$17,610,419 in fiscal year 2014 to \$17,210,767 in fiscal year 2015. The net effect was a decrease in the District's General Fund balance from \$4,107,155 at June 30, 2014 to \$3,923,378 at June 30, 2015, a 4.47% decrease from the prior year.
- The increase in General Fund revenues was attributable to increased funding from local sources. The decrease in expenditures was due primarily to decreases in expenditures in the instruction and support services functional areas.

### **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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details 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.

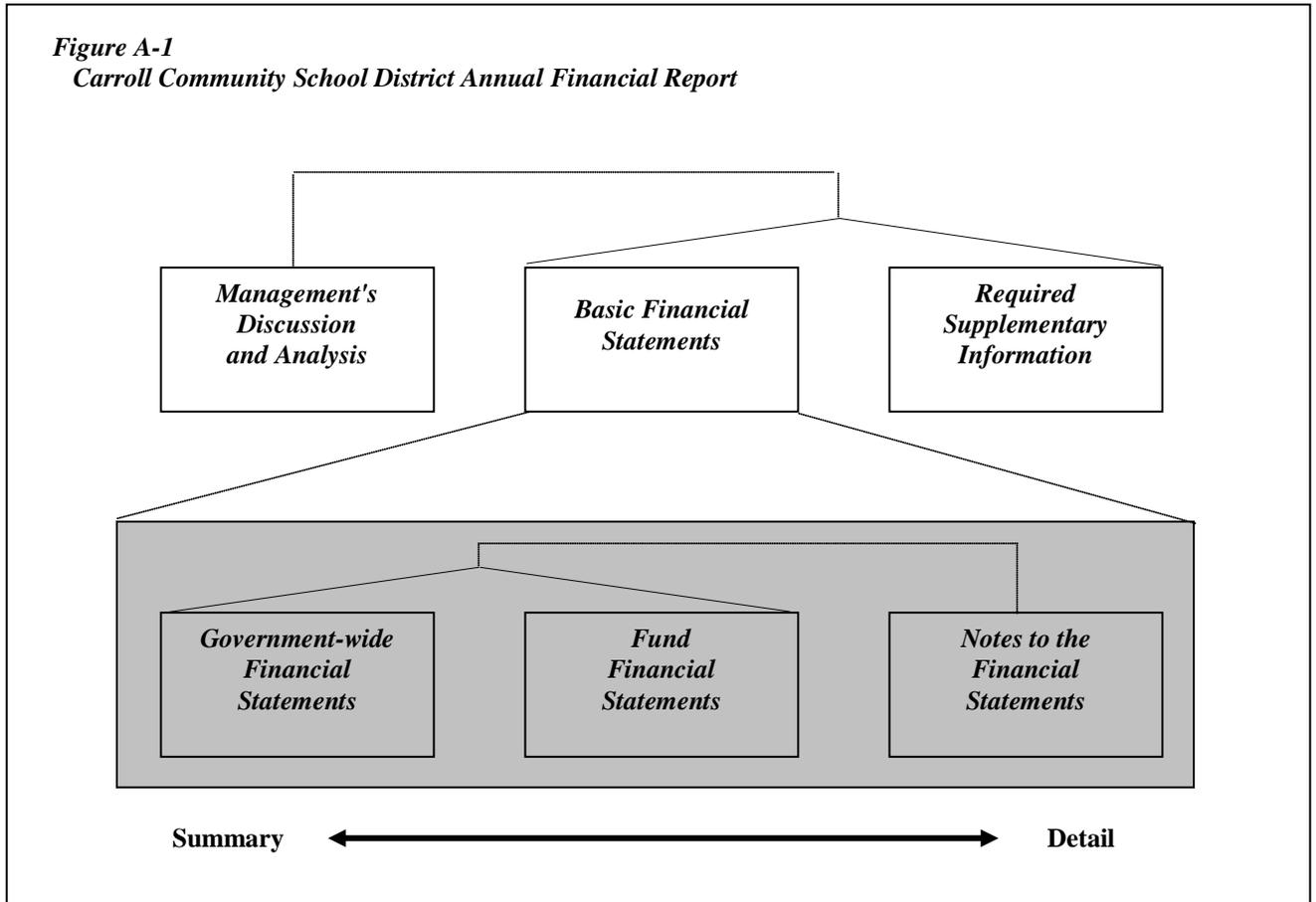


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</i>				
	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during the 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.

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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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		
	(Not restated)		(Not restated)		(Not restated)		2014-15
	2015	restated)	2015	restated)	2015	restated)	
Current and other assets	\$ 19,976,832	21,574,894	277,269	260,929	20,254,101	21,835,823	-7.24%
Capital assets	19,519,470	19,040,258	248,680	196,865	19,768,150	19,237,123	2.76%
Total assets	39,496,302	40,615,152	525,949	457,794	40,022,251	41,072,946	-2.56%
Deferred outflows of resources	1,239,194	-	36,227	-	1,275,421	-	100.00%
Long-term liabilities	13,874,993	8,422,689	196,714	18,565	14,071,707	8,441,254	66.70%
Other liabilities	2,217,867	2,496,256	17,970	22,250	2,235,837	2,518,506	-11.22%
Total liabilities	16,092,860	10,918,945	214,684	40,815	16,307,544	10,959,760	48.79%
Deferred inflows of resources	10,167,700	8,009,184	67,077	-	10,234,777	8,009,184	27.79%
Net position:							
Net investment in capital assets	15,099,449	15,681,989	248,680	196,865	15,348,129	15,878,854	-3.34%
Restricted	4,859,838	3,561,381	-	-	4,859,838	3,561,381	36.46%
Unrestricted	(5,484,351)	2,443,653	31,735	220,114	(5,452,616)	2,663,767	-304.70%
Total net position	\$ 14,474,936	21,687,023	280,415	416,979	14,755,351	22,104,002	-33.25%

The District's total net position decreased by 33.25%, or \$7,348,651, 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 36.46%, or \$1,298,457, over the prior year. The increase in restricted net position was attributable to the increase in the amount restricted for school infrastructure as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$8,116,383, or 304.70%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$7,733,458 and \$218,420, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2014		2014		2014		2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)		
Revenues:								
Program revenues:								
Charges for service	\$ 1,073,568	1,053,308	491,492	483,035	1,565,060	1,536,343	1.87%	
Operating grants, contributions and restricted interest	2,363,134	2,479,972	477,009	453,198	2,840,143	2,933,170	-3.17%	
General revenues:								
Property tax	8,020,457	7,488,382	-	-	8,020,457	7,488,382	7.11%	
Statewide sales, services and use tax	1,591,911	1,472,115	-	-	1,591,911	1,472,115	8.14%	
Unrestricted state grants	6,895,654	6,903,293	-	-	6,895,654	6,903,293	-0.11%	
Unrestricted investment earnings	42,415	12,744	58	75	42,473	12,819	231.33%	
Other	64,762	302,062	2,200	2,562	66,962	304,624	-78.02%	
Total revenues	20,051,901	19,711,876	970,759	938,870	21,022,660	20,650,746	1.80%	
Program expenses:								
Instructional	12,224,404	12,608,633	-	-	12,224,404	12,608,633	-3.05%	
Support services	5,564,041	6,033,393	40,604	34,507	5,604,645	6,067,900	-7.63%	
Non-instructional programs	-	-	894,318	865,644	894,318	865,644	3.31%	
Other expenses	1,696,066	1,577,011	-	-	1,696,066	1,577,011	7.55%	
Total expenses	19,484,511	20,219,037	934,922	900,151	20,419,433	21,119,188	-3.31%	
Excess(Deficiency) of revenues over(under) expenditures	567,390	(507,161)	35,837	38,719	603,227	(468,442)	-228.77%	
Transfers	(46,019)	-	46,019	-	-	-	0.00%	
Change in net position	521,371	(507,161)	81,856	38,719	603,227	(468,442)	-228.77%	
Net position beginning of year, as restated	13,953,565	22,194,184	198,559	378,260	14,152,124	22,572,444	-37.30%	
Net position end of year	\$ 14,474,936	21,687,023	280,415	416,979	14,755,351	22,104,002	-33.25%	

In fiscal year 2015, property tax and unrestricted state grants accounted for 74.39% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.77% of the revenue from business type activities. The District's total revenues were \$21,022,660, of which \$20,051,901 was for governmental activities and \$970,759 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.80% increase in revenues and a 3.31% decrease in expenses. The increase in revenues is related to the increase in funding from property tax. The decrease in expenses is related to reduced spending in the support services functional area.

### Governmental Activities

Revenues for governmental activities were \$20,051,901 and expenses were \$19,484,511.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 12,224,404	12,608,633	-3.05%	9,852,888	10,130,605	-2.74%
Support services	5,564,041	6,033,393	-7.78%	5,237,676	5,686,726	-7.90%
Other expenses	1,696,066	1,577,011	7.55%	957,245	868,426	10.23%
Totals	\$ 19,484,511	20,219,037	-3.63%	16,047,809	16,685,757	-3.82%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,073,568.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,363,134.
- The net cost of governmental activities was financed with \$8,020,457 in property tax, \$1,591,911 in statewide sales, services and use tax, \$6,895,654 in unrestricted state grants, \$42,415 in interest income and \$64,762 in other general revenues.

### Business Type Activities

Revenues of the District's business type activity were \$970,759 and expenses were \$934,922. 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 \$10,089,501, below last year's ending fund balances of \$11,255,687. The primary reason for the decrease in combined

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fund balances was the use of revenue bonds proceeds from a prior which were expended for capital projects in the current year.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$4,107,155 at June 30, 2014 to \$3,923,378 at June 30, 2015. Revenues increased 0.72% and expenditures decreased 2.27% when compared with the prior year contributing to the decline in fund balance during fiscal year 2015.
- The Capital Projects Fund balance increased from \$5,471,968 at June 30, 2014 to \$4,448,776 at June 30, 2015. The decrease is mainly due to the use of bond proceeds from a prior year used for construction projects around the District.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a restated \$198,559 at July 1, 2014 to \$280,415 at June 30, 2015, representing an increase of 41.23%. This increase was primarily the result of contributed capital received from the Capital Projects: Statewide Sales, Services and Use Tax fund during the year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$119,342 less than budgeted revenues, a variance of 0.56%. The most significant dollar variance resulted from the District receiving less from local sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$19,768,150, 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 2.76% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,156,492.

The original cost of the District's capital assets was \$40,274,464. Governmental funds account for \$39,541,596 with the remainder of \$732,868 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 \$254,893 at June 30, 2015 as compared to \$2,305,745 at June 30, 2014. The decrease in construction in progress is due to completion of work on the District's additions to the middle school and the high school that were capitalized during the year.

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,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 694,070	694,070	-	-	694,070	694,070	0.00%
Construction in progress	254,893	2,305,745	-	-	254,893	2,305,745	-88.95%
Buildings	14,772,023	12,109,962	-	-	14,772,023	12,109,962	21.98%
Land improvements	1,764,563	1,753,186	-	-	1,764,563	1,753,186	0.65%
Machinery and equipment	2,033,921	2,177,295	248,680	196,865	2,282,601	2,374,160	-3.86%
Total	\$ 19,519,470	19,040,258	248,680	196,865	19,768,150	19,237,123	2.76%

### Long-Term Debt

At June 30, 2015, the District had \$14,071,707 in general obligation bonds and other long-term debt outstanding. This represents an increase of approximately 66.70% 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 outstanding general obligation bonds payable of \$165,000 at June 30, 2015.

The District had outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$6,800,000 at June 30, 2015.

The District had total outstanding compensated absences payable from the General Fund of \$64,654 at June 30, 2015.

The District had a net pension liability of \$6,323,911 at June 30, 2015. Governmental activities account for \$6,150,207 while business type activities account for \$173,704.

The District also had net OPEB liability of \$718,142 at June 30, 2015. Governmental activities account for \$695,132 while business type activities account for \$23,010.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 165,000	765,000	-	-	165,000	765,000	-78.43%
Revenue bonds	6,800,000	6,800,000	-	-	6,800,000	6,800,000	0.00%
Compensated absences	64,654	59,593	-	-	64,654	59,593	8.49%
Termination benefits	-	255,300	-	-	-	255,300	-100.00%
Net pension liability	6,150,207	-	173,704	-	6,323,911	-	100.00%
Net OPEB liability	695,132	542,796	23,010	18,565	718,142	561,361	27.93%
Total	\$ 13,874,993	8,422,689	196,714	18,565	14,071,707	8,441,254	66.70%

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

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

- The Carroll Community School District recognizes that because of revenue constraints on the General Fund, maintaining current instructional programming will be a challenge. The state allowable cost per pupil increased by 2% for fiscal year 2014, 4% for fiscal year 2015, and 1.25% for fiscal year 2016. During that three year period the District's fund balance in the General Fund decreased by 18.47% or \$889,032 while the General Fund unassigned fund balance decreased by \$1,384,876 or 35.28%. On September 9, 2014 District voters approved an Instructional Support Levy which will generate nearly a million dollars annually in the General Fund. Approximately half of these funds will be realized in fiscal year 2016 and the full amount will be received in fiscal year 2017. While the Instructional Support Levy will be an essential source of instructional funding, the district will continue to experience strain in the General Fund without reasonable increases in the state allowable cost per pupil.

## **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, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 11,089,847	241,488	11,331,335
Receivables:			
Property tax:			
Delinquent	30,507	-	30,507
Succeeding year	7,792,739	-	7,792,739
Accounts	21,789	57	21,846
Due from other governments	1,021,185	6,534	1,027,719
Inventories	-	23,149	23,149
Prepaid items	20,765	6,041	26,806
Capital assets, net of accumulated depreciation	19,519,470	248,680	19,768,150
<b>Total assets</b>	<b>39,496,302</b>	<b>525,949</b>	<b>40,022,251</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	1,239,194	36,227	1,275,421
<b>Liabilities</b>			
Accounts payable	399,161	57	399,218
Salaries and benefits payable	1,695,092	372	1,695,464
Advances from grantors	339	-	339
Accrued interest payable	123,275	-	123,275
Unearned revenue	-	17,541	17,541
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	165,000	-	165,000
Revenue bonds payable	101,000	-	101,000
Compensated absences payable	64,654	-	64,654
Portion due after one year:			
Revenue bonds payable	6,699,000	-	6,699,000
Net pension liability	6,150,207	173,704	6,323,911
Net OPEB liability	695,132	23,010	718,142
<b>Total liabilities</b>	<b>16,092,860</b>	<b>214,684</b>	<b>16,307,544</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	7,792,739	-	7,792,739
Pension related deferred inflows	2,374,961	67,077	2,442,038
<b>Total deferred inflows of resources</b>	<b>10,167,700</b>	<b>67,077</b>	<b>10,234,777</b>
<b>Net Position</b>			
Net investment in capital assets	15,099,449	248,680	15,348,129
Restricted for:			
Categorical funding	1,361,969	-	1,361,969
Debt service	67,739	-	67,739
Management levy purposes	1,400,168	-	1,400,168
Student activities	126,165	-	126,165
School infrastructure	1,745,860	-	1,745,860
Physical plant and equipment	157,937	-	157,937
Unrestricted	(5,484,351)	31,735	(5,452,616)
<b>Total net position</b>	<b>\$ 14,474,936</b>	<b>280,415</b>	<b>14,755,351</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,619,243	538,526	127,077	(6,953,640)	-	(6,953,640)
Special	2,790,968	297,452	354,782	(2,138,734)	-	(2,138,734)
Other	1,814,193	179,744	873,935	(760,514)	-	(760,514)
	<u>12,224,404</u>	<u>1,015,722</u>	<u>1,355,794</u>	<u>(9,852,888)</u>	<u>-</u>	<u>(9,852,888)</u>
Support services:						
Student	617,029	8,899	-	(608,130)	-	(608,130)
Instructional staff	640,517	-	-	(640,517)	-	(640,517)
Administration	1,356,181	-	-	(1,356,181)	-	(1,356,181)
Operation and maintenance of plant	1,754,321	-	-	(1,754,321)	-	(1,754,321)
Transportation	1,195,993	48,947	268,519	(878,527)	-	(878,527)
	<u>5,564,041</u>	<u>57,846</u>	<u>268,519</u>	<u>(5,237,676)</u>	<u>-</u>	<u>(5,237,676)</u>
Long-term debt interest	262,675	-	-	(262,675)	-	(262,675)
Other expenses:						
AEA flowthrough	738,821	-	738,821	-	-	-
Depreciation(unallocated)*	694,570	-	-	(694,570)	-	(694,570)
	<u>1,433,391</u>	<u>-</u>	<u>738,821</u>	<u>(694,570)</u>	<u>-</u>	<u>(694,570)</u>
Total governmental activities	<u>19,484,511</u>	<u>1,073,568</u>	<u>2,363,134</u>	<u>(16,047,809)</u>	<u>-</u>	<u>(16,047,809)</u>
Business type activities:						
Support services:						
Administration	7,035	-	-	-	(7,035)	(7,035)
Operation and maintenance of plant	33,569	-	-	-	(33,569)	(33,569)
	<u>40,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,604)</u>	<u>(40,604)</u>
Non-instructional programs:						
Food service operations	894,318	491,492	477,009	-	74,183	74,183
Total business type activities	<u>934,922</u>	<u>491,492</u>	<u>477,009</u>	<u>-</u>	<u>33,579</u>	<u>33,579</u>
Total	<u>\$ 20,419,433</u>	<u>1,565,060</u>	<u>2,840,143</u>	<u>(16,047,809)</u>	<u>33,579</u>	<u>(16,014,230)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 7,498,724	-	7,498,724
Debt service				219,820	-	219,820
Capital outlay				301,913	-	301,913
Statewide sales, services and use tax				1,591,911	-	1,591,911
Unrestricted state grants				6,895,654	-	6,895,654
Unrestricted investment earnings				42,415	58	42,473
Other general revenues				64,762	2,200	66,962
Transfers				(46,019)	46,019	-
Total general revenues & transfers				<u>16,569,180</u>	<u>48,277</u>	<u>16,617,457</u>
Change in net position				521,371	81,856	603,227
Net position beginning of year, as restated				13,953,565	198,559	14,152,124
Net position end of year				<u>\$ 14,474,936</u>	<u>280,415</u>	<u>14,755,351</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, 2015

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 4,942,450	4,430,195	1,717,202	11,089,847
Receivables:				
Property tax:				
Delinquent	26,303	1,107	3,097	30,507
Succeeding year	7,387,062	305,676	100,001	7,792,739
Accounts	20,203	-	1,586	21,789
Due from other governments	774,744	246,441	-	1,021,185
Prepaid items	20,765	-	-	20,765
<b>Total assets</b>	<b>\$ 13,171,527</b>	<b>4,983,419</b>	<b>1,821,886</b>	<b>19,976,832</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 165,656	228,967	4,538	399,161
Salaries and benefits payable	1,695,092	-	-	1,695,092
Advances from grantors	339	-	-	339
<b>Total liabilities</b>	<b>1,861,087</b>	<b>228,967</b>	<b>4,538</b>	<b>2,094,592</b>
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	7,387,062	305,676	100,001	7,792,739
Fund balances:				
Nonspendable	20,765	-	-	20,765
Restricted for:				
Categorical funding	1,361,969	-	-	1,361,969
Debt service	-	-	191,014	191,014
Management levy purposes	-	-	1,400,168	1,400,168
Student activities	-	-	126,165	126,165
School infrastructure	-	4,290,839	-	4,290,839
Physical plant and equipment	-	157,937	-	157,937
Unassigned	2,540,644	-	-	2,540,644
<b>Total fund balances</b>	<b>3,923,378</b>	<b>4,448,776</b>	<b>1,717,347</b>	<b>10,089,501</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 13,171,527</b>	<b>4,983,419</b>	<b>1,821,886</b>	<b>19,976,832</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	10,089,501
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		19,519,470
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.		(123,275)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,239,194	
Deferred inflows of resources	<u>(2,374,961)</u>	(1,135,767)
Long-term liabilities, including general obligation bonds, revenue bonds, net pension liability, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(13,874,993)</u>
<b>Net position governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>14,474,936</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 6,897,820	301,913	820,724	8,020,457
Tuition	784,213	-	-	784,213
Other	189,730	26,405	273,987	490,122
State sources	8,486,782	1,597,847	16,595	10,101,224
Federal sources	655,885	-	-	655,885
Total revenues	<u>17,014,430</u>	<u>1,926,165</u>	<u>1,111,306</u>	<u>20,051,901</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,476,823	138,499	292,477	7,907,799
Special	2,784,446	-	-	2,784,446
Other	1,558,181	-	277,874	1,836,055
	<u>11,819,450</u>	<u>138,499</u>	<u>570,351</u>	<u>12,528,300</u>
Support services:				
Student	653,668	-	-	653,668
Instructional staff	375,311	277,671	-	652,982
Administration	1,418,567	3,727	10,354	1,432,648
Operation and maintenance of plant	1,243,364	9,596	166,434	1,419,394
Transportation	934,798	159,394	69,839	1,164,031
	<u>4,625,708</u>	<u>450,388</u>	<u>246,627</u>	<u>5,322,723</u>
Capital outlay	-	1,715,170	-	1,715,170
Long-term debt:				
Principal	-	-	600,000	600,000
Interest and fiscal charges	-	-	325,633	325,633
	<u>-</u>	<u>-</u>	<u>925,633</u>	<u>925,633</u>
Other expenditures:				
AEA flowthrough	738,821	-	-	738,821
Total expenditures	<u>17,183,979</u>	<u>2,304,057</u>	<u>1,742,611</u>	<u>21,230,647</u>
Deficiency of revenues under expenditures	(169,549)	(377,892)	(631,305)	(1,178,746)
Other financing sources(uses):				
Transfer in	-	-	672,088	672,088
Transfer out	(26,788)	(645,300)	-	(672,088)
Proceeds from disposal of equipment	12,560	-	-	12,560
Total other financing sources(uses)	<u>(14,228)</u>	<u>(645,300)</u>	<u>672,088</u>	<u>12,560</u>
Change in fund balances	(183,777)	(1,023,192)	40,783	(1,166,186)
Fund balances beginning of year	<u>4,107,155</u>	<u>5,471,968</u>	<u>1,676,564</u>	<u>11,255,687</u>
Fund balances end of year	<u>\$ 3,923,378</u>	<u>4,448,776</u>	<u>1,717,347</u>	<u>10,089,501</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, 2015

**Change in fund balances - total governmental funds**(page 22) \$ (1,166,186)

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

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

Capital outlay	\$ 1,620,380	
Depreciation expense	(1,125,530)	
Loss on asset disposal	<u>(15,638)</u>	479,212

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 repayments are as follows:

600,000

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.

62,958

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

900,931

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	255,300	
Compensated absences	(5,061)	
Pension expense	(453,447)	
Other postemployment benefits	<u>(152,336)</u>	<u>(355,544)</u>

**Change in net position of governmental activities**(page 19) \$ 521,371

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUND  
JUNE 30, 2015

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 241,488
Accounts receivable	57
Due from other governments	6,534
Inventories	23,149
Prepaid items	6,041
Total current assets	277,269
Noncurrent assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	248,680
<b>Total assets</b>	525,949
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	36,227
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	57
Salaries and benefits payable	372
Unearned revenue	17,541
Total current liabilities	17,970
Noncurrent liabilities:	
Net pension liability	173,704
Net OPEB liability	23,010
Total long-term liabilities	196,714
<b>Total liabilities</b>	214,684
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	67,077
<b>Net Position</b>	
Net investment in capital assets	248,680
Unrestricted	31,735
<b>Total net position</b>	\$ 280,415

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, 2015

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 491,492
Miscellaneous	2,200
Total operating revenues	493,692
Operating expenses:	
Support services:	
Administration:	
Services	300
Other	6,735
Operation and maintenance of plant:	
Services	16,690
Supplies	16,879
Total support services	40,604
Non-instructional programs:	
Food service operations:	
Salaries	319,405
Benefits	113,925
Services	600
Supplies	428,534
Other	892
Depreciation	30,962
Total non-instructional programs	894,318
Total operating expenses	934,922
Operating loss	(441,230)
Non-operating revenues:	
State sources	8,198
Federal sources	468,811
Interest income	58
Total non-operating revenues	477,067
Change in net position before other financing sources	35,837
Other financing sources:	
Capital contribution	46,019
Change in net position	81,856
Net position beginning of year, as restated	198,559
Net position end of year	\$ 280,415

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from food service operations *	\$ 491,909
Cash received from miscellaneous	2,200
Cash payments to employees for services	(447,223)
Cash payments to suppliers for goods or services	(396,210)
Net cash used in operating activities	(349,324)
Cash flows from non-capital financing activities:	
State grants received	8,198
Federal grants received	393,222
Net cash provided by non-capital financing activities	401,420
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(36,758)
Cash flows from investing activities:	
Interest on investments	58
Net increase in cash and pooled investments	15,396
Cash and pooled investments beginning of year	226,092
Cash and pooled investments end of year	\$ 241,488
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (441,230)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	75,291
Depreciation	30,962
Increase in prepaid items	(90)
Increase in inventories	(499)
Increase in accounts receivable	(57)
Decrease in accounts payable	(282)
Decrease in salaries and benefits payable	(4,472)
Increase in unearned revenue	474
Decrease in net pension liability	(70,310)
Increase in deferred outflows of resources	(10,633)
Increase in deferred inflows of resources	67,077
Increase in other postemployment benefits	4,445
Net cash used in operating activities	\$ (349,324)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$75,291 of federal commodities.

During the year ended June 30, 2015, the Nutrition Fund received capital contributions of \$46,019 from the Capital Projects: Statewide Sales, Services and Use Tax Fund

\* - cash from operations consists of cash received from lunches and breakfasts served, vending machine proceeds and cash received from the 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, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 69,768
<b>Liabilities</b>	-
<b>Net Position</b>	
Held in trust for scholarships	\$ 69,768

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 744
Deductions:	
Regular instruction:	
Scholarships awarded	2,000
Change in net position	(1,256)
Net position beginning of year	71,024
Net position end of year	\$ 69,768

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**(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. Unspent bond proceeds are added back to the net investment in capital 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

Cash, Pooled Investments and Cash Equivalents - The cash 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents 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.

Prepaid Items - Prepaid items consists of prepaid health insurance that will be expensed in a subsequent year.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015. 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.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,672,691 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, 2015, 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, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 645,300
Management Levy	General	26,788
Total		<u>\$ 672,088</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service fund was needed for general obligation bond debt relief and interest payments on the District's revenue bonds.

The transfer from the General Fund to the Management Levy Fund was to correct unallowable expenses in a prior year.

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 650,091	82,777	-	732,868
Less accumulated depreciation	453,226	30,962	-	484,188
Business type activities capital assets, net	<u>\$ 196,865</u>	<u>51,815</u>	<u>-</u>	<u>248,680</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 694,070	-	-	694,070
Construction in progress	2,305,745	930,434	2,981,286	254,893
Total capital assets not being depreciated	<u>2,999,815</u>	<u>930,434</u>	<u>2,981,286</u>	<u>948,963</u>
Capital assets being depreciated:				
Buildings	22,511,008	3,290,193	31,030	25,770,171
Land improvements	2,681,487	93,453	-	2,774,940
Machinery and equipment	9,976,836	287,586	216,900	10,047,522
Total capital assets being depreciated	<u>35,169,331</u>	<u>3,671,232</u>	<u>247,930</u>	<u>38,592,633</u>
Less accumulated depreciation for:				
Buildings	10,401,046	612,494	15,392	10,998,148
Land improvements	928,301	82,076	-	1,010,377
Machinery and equipment	7,799,541	430,960	216,900	8,013,601
Total accumulated depreciation	<u>19,128,888</u>	<u>1,125,530</u>	<u>232,292</u>	<u>20,022,126</u>
Total capital assets being depreciated, net	<u>16,040,443</u>	<u>2,545,702</u>	<u>15,638</u>	<u>18,570,507</u>
Governmental activities capital assets, net	<u>\$ 19,040,258</u>	<u>3,476,136</u>	<u>2,996,924</u>	<u>19,519,470</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 113,552
Special	18,323
Other	38,167
Support services:	
Student	3,859
Instructional staff	23,195
Administration	8,246
Operation and maintenance	15,148
Transportation	210,470
	<u>430,960</u>
Unallocated depreciation	<u>694,570</u>
Total governmental activities depreciation expense	<u>\$ 1,125,530</u>
Business type activities:	
Food service operations	<u>\$ 30,962</u>

**(5) Long-Term Liabilities**

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 765,000	-	600,000	165,000	165,000
Revenue bonds	6,800,000	-	-	6,800,000	101,000
Compensated absences	59,593	64,654	59,593	64,654	64,654
Termination benefits	255,300	-	255,300	-	-
Net pension liability	8,639,636	-	2,489,429	6,150,207	-
Net OPEB liability	542,796	152,336	-	695,132	-
Total	<u>\$ 17,062,325</u>	<u>216,990</u>	<u>3,404,322</u>	<u>13,874,993</u>	<u>330,654</u>
<b>Business type activities</b>					
Net pension liability	\$ 244,014	-	70,310	173,704	-
Net OPEB liability	18,565	4,445	-	23,010	-
Total	<u>\$ 262,579</u>	<u>4,445</u>	<u>70,310</u>	<u>196,714</u>	<u>-</u>

#### General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2009			
	Interest Rates	Principal	Interest	Total
2016	3.000-3.375	% \$ 165,000	3,975	<u>168,975</u>

#### Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2, 2013			
	Interest Rates	Principal	Interest	Total
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	3.600	422,000	197,982	619,982
2021-2025	3.600	2,357,000	748,152	3,105,152
2026-2030	3.600	2,825,000	287,208	3,112,208
Total		<u>\$ 6,800,000</u>	<u>2,157,318</u>	<u>8,957,318</u>

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 22% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be

paid on the notes is \$8,957,318. For the current year, \$0 of principal and \$305,320 of interest were paid on the bonds and total statewide sales, service and use tax revenues were \$1,591,911.

### Termination Benefits

The District did not offer an early retirement plan during fiscal year 2015. During the year ended June 30, 2014 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 1<sup>st</sup> 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, 2015, the District had no obligations to retirees. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$255,300.

### **(6) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$927,604.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$6,323,911 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.156258 percent, which was a decrease of 0.000641 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$466,254. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,729	\$ -
Changes of assumptions	279,088	-
Net difference between projected and actual earnings on pension plan investments	-	2,411,757
Changes in proportion and differences between District contributions and proportionate share of contributions	-	30,281
District contributions subsequent to the measurement date	927,604	-
<b>Total</b>	<b>\$ 1,275,421</b>	<b>\$ 2,442,038</b>

\$927,604 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (528,749)
2017	(528,749)
2018	(528,749)
2019	(528,749)
2020	20,775
	<u>\$ (2,094,221)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 11,948,851	\$ 6,323,911	\$ 1,575,878

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$117,176 for legally required employer contributions and \$78,073 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(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 205 active and 14 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 202,837
Interest on net OPEB obligation	14,034
Adjustment to annual required contribution	(36,565)
Annual OPEB cost	<u>180,306</u>
Contributions made	<u>(23,525)</u>
Increase in net OPEB obligation	156,781
Net OPEB obligation - beginning of year	<u>561,361</u>
Net OPEB obligation - end of year	<u><u>\$ 718,142</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, 2015.

For year ended June 30, 2015, the District contributed \$23,525 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 154,743	31.02%	\$ 477,000
2014	155,361	45.70%	561,361
2015	180,306	13.05%	718,142

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,368,447, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,368,447. The covered payroll (annual payroll of active employees covered by the plan) was \$9,538,088, and the ratio of the UAAL to the covered payroll was 14.3%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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 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, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from a 2006 Society of Actuaries study.

Projected claim costs of the medical plan are \$569 per month for retirees less than 65. 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 \$738,821 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitments**

The District has entered into contracts for the construction of an elementary school addition. As of June 30, 2015, costs of \$254,893 had been incurred against the contracts.

**(11) Categorical Funding**

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

Program	Amount
Home School Assistance Program	\$ 30,045
Gifted and Talented Programs	221,492
Returning Dropouts and Dropout Prevention Programs	696,269
Teacher Salary Supplement	100,505
Beginning Administrator Mentoring and Induction Program	3,000
Textbook Aid for Nonpublic Students	12,755
Four-year-old Preschool State Aid	168,580
Successful Progression for Early Readers	37,970
Professional Development for Model Core Curriculum	514
Professional Development	90,839
Total	<u>\$ 1,361,969</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	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	191,014	4,290,839	2,540,644
Capital assets, net				
of accumulated depreciation	19,519,470	-	-	-
General Obligation bond capitalized indebtedness	(165,000)	-	-	-
Revenue bond capitalized indebtedness	(4,255,021)	-	-	-
Unspent revenue bond proceeds	-	-	(2,544,979)	-
Compensated absences	-	-	-	(64,654)
Accrued interest payable	-	(123,275)	-	-
Pension related deferred outflows	-	-	-	1,239,194
Net pension liability	-	-	-	(6,150,207)
Pension related deferred inflows	-	-	-	(2,374,961)
Net OPEB liability	-	-	-	(695,132)
Nonspendable fund balance	-	-	-	20,765
	<u>\$ 15,099,449</u>	<u>67,739</u>	<u>1,745,860</u>	<u>(5,484,351)</u>

(13) **Accounting Change/Restatement Note**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and

business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 21,687,023	\$ 416,979
Net pension liability at June 30, 2014	(8,639,636)	(244,014)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>906,178</u>	<u>25,594</u>
Net position July 1, 2014, as restated	<u>\$ 13,953,565</u>	<u>\$ 198,559</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 9,294,792	493,750	9,788,542	11,512,371	11,512,371	(1,723,829)
State sources	10,101,224	8,198	10,109,422	8,479,631	8,479,631	1,629,791
Federal sources	655,885	468,811	1,124,696	1,150,000	1,150,000	(25,304)
Total revenues	<u>20,051,901</u>	<u>970,759</u>	<u>21,022,660</u>	<u>21,142,002</u>	<u>21,142,002</u>	<u>(119,342)</u>
<b>Expenditures/Expenses:</b>						
Instruction	12,528,300	-	12,528,300	13,392,950	13,392,950	864,650
Support services	5,322,723	40,604	5,363,327	6,392,999	6,392,999	1,029,672
Non-instructional programs	-	894,318	894,318	998,500	998,500	104,182
Other expenditures	3,379,624	-	3,379,624	5,166,114	5,166,114	1,786,490
Total expenditures/expenses	<u>21,230,647</u>	<u>934,922</u>	<u>22,165,569</u>	<u>25,950,563</u>	<u>25,950,563</u>	<u>3,784,994</u>
Excess(Deficiency)of revenues over(under) expenditures/expenses	(1,178,746)	35,837	(1,142,909)	(4,808,561)	(4,808,561)	3,665,652
Other financing sources, net	<u>12,560</u>	<u>46,019</u>	<u>58,579</u>	-	-	<u>58,579</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,166,186)	81,856	(1,084,330)	(4,808,561)	(4,808,561)	3,724,231
Balances beginning of year, as restated	<u>11,255,687</u>	<u>198,559</u>	<u>11,454,246</u>	<u>13,486,397</u>	<u>13,486,397</u>	<u>(2,032,151)</u>
Balances end of year	<u>\$ 10,089,501</u>	<u>280,415</u>	<u>10,369,916</u>	<u>8,677,836</u>	<u>8,677,836</u>	<u>1,692,080</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with 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.

CARROLL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 (IN THOUSANDS)  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.156258%
District's proportionate share of the net pension liability	\$ 6,324
District's covered-employee payroll	\$ 10,388
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.88%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CARROLL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**  
**(IN THOUSANDS)**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 928	931	879	808	670	631	606	552	489	479
Contributions in relation to the statutorily required contribution	<u>(928)</u>	<u>(931)</u>	<u>(879)</u>	<u>(808)</u>	<u>(670)</u>	<u>(631)</u>	<u>(606)</u>	<u>(552)</u>	<u>(489)</u>	<u>(479)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 10,388	10,426	10,138	10,012	9,640	9,079	9,543	9,124	8,504	8,330
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
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%
2015	July 1, 2014	-	1,368,447	1,368,447	0.0%	9,538,088	14.3%

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.

CARROLL COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 1,397,877	129,117	1,526,994	190,208	1,717,202
Receivables:					
Property tax:					
Delinquent	2,291	-	2,291	806	3,097
Succeeding year	100,001	-	100,001	-	100,001
Accounts	-	1,586	1,586	-	1,586
<b>Total assets</b>	<b>\$ 1,500,169</b>	<b>130,703</b>	<b>1,630,872</b>	<b>191,014</b>	<b>1,821,886</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	4,538	4,538	-	4,538
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	100,001	-	100,001	-	100,001
Fund balances:					
Restricted for:					
Debt service	-	-	-	191,014	191,014
Management levy purposes	1,400,168	-	1,400,168	-	1,400,168
Student activities	-	126,165	126,165	-	126,165
Total fund balances	1,400,168	126,165	1,526,333	191,014	1,717,347
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,500,169</b>	<b>130,703</b>	<b>1,630,872</b>	<b>191,014</b>	<b>1,821,886</b>

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, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 600,904	-	600,904	219,820	820,724
Other	25,186	248,758	273,944	43	273,987
State sources	12,273	-	12,273	4,322	16,595
Total revenues	638,363	248,758	887,121	224,185	1,111,306
Expenditures:					
Current:					
Instruction:					
Regular	292,477	-	292,477	-	292,477
Other	-	277,874	277,874	-	277,874
Support services:					
Administration	10,354	-	10,354	-	10,354
Operation and maintenance of plant	166,434	-	166,434	-	166,434
Transportation	69,839	-	69,839	-	69,839
Long-term debt:					
Principal	-	-	-	600,000	600,000
Interest and fiscal charges	-	-	-	325,633	325,633
Total expenditures	539,104	277,874	816,978	925,633	1,742,611
Excess(Deficiency) of revenues over(under) expenditures	99,259	(29,116)	70,143	(701,448)	(631,305)
Other financing sources:					
Transfer in	26,788	-	26,788	645,300	672,088
Change in fund balances	126,047	(29,116)	96,931	(56,148)	40,783
Fund balances beginning of year	1,274,121	155,281	1,429,402	247,162	1,676,564
Fund balance end of year	\$ 1,400,168	126,165	1,526,333	191,014	1,717,347

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,269,694	160,501	4,430,195
Receivables:			
Property tax:			
Delinquent	-	1,107	1,107
Succeeding year	-	305,676	305,676
Due from other governments	246,441	-	246,441
<b>Total assets</b>	<b>\$ 4,516,135</b>	<b>467,284</b>	<b>4,983,419</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 225,296	3,671	228,967
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	305,676	305,676
Fund balances:			
Restricted for:			
School infrastructure	4,290,839	-	4,290,839
Physical plant and equipment	-	157,937	157,937
Total fund balances	4,290,839	157,937	4,448,776
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,516,135</b>	<b>467,284</b>	<b>4,983,419</b>

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	301,913	301,913
Other	25,725	680	26,405
State sources	1,591,911	5,936	1,597,847
Total revenues	<u>1,617,636</u>	<u>308,529</u>	<u>1,926,165</u>
Expenditures:			
Current:			
Instruction:			
Regular	118,216	20,283	138,499
Support services:			
Instructional staff	174,574	103,097	277,671
Administration	-	3,727	3,727
Operation and maintenance of plant	-	9,596	9,596
Transportation	-	159,394	159,394
Capital outlay	1,681,117	34,053	1,715,170
Total expenditures	<u>1,973,907</u>	<u>330,150</u>	<u>2,304,057</u>
Deficiency of revenues under expenditures	(356,271)	(21,621)	(377,892)
Other financing uses:			
Transfer out	(645,300)	-	(645,300)
Change in fund balances	(1,001,571)	(21,621)	(1,023,192)
Fund balances beginning year	<u>5,292,410</u>	<u>179,558</u>	<u>5,471,968</u>
Fund balances end of year	<u>\$ 4,290,839</u>	<u>157,937</u>	<u>4,448,776</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
ISJIT investment	\$ 35,770	2,282	80	-	37,972
Interest	-	146	-	(146)	-
Drama	3,302	2,475	5,645	2	134
Speech	-	-	2,065	2,065	-
Vocal	-	45	8,008	7,963	-
HS band	-	1,857	4,707	2,850	-
Football	19,236	37,008	41,760	(13,892)	592
Wrestling	-	7,103	7,572	469	-
Volleyball	3,556	9,313	6,126	(3,750)	2,993
Basketball	-	17,821	19,320	1,499	-
Soccer	-	2,028	5,784	3,756	-
Baseball-softball	101	9,059	10,755	1,595	-
Track	-	7,021	15,978	8,957	-
Golf	-	2,466	2,911	445	-
Swimming	-	2,088	2,758	670	-
Activity tickets	24,238	49,126	40,825	(15,361)	17,178
Weight room	137	-	-	-	137
Cheerleaders	-	820	1,099	279	-
HS class accounts	-	3,326	5,847	2,521	-
Academic competitions	8,223	-	-	8	8,231
FFA	22,319	52,301	57,541	23	17,102
FCCLA	3,903	-	-	4	3,907
National honor society	2,223	3,203	3,039	2	2,389
HS student council	10,554	11,408	10,163	13	11,812
Yearbook	4,226	18,710	18,004	12	4,944
Dance/drill team	1,974	3,032	3,892	1	1,115
MS band	320	-	-	-	320
MS G+T Store	163	-	-	-	163
MS student council	400	5,620	3,907	1	2,114
MS youth market place	884	-	-	1	885
MS destination imagination	501	-	-	-	501
Adams student council	13,251	500	88	13	13,676
Total	\$ 155,281	248,758	277,874	-	126,165

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 8,020,457	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*
Tuition	784,213	722,264	782,296	711,985	729,694	570,046	560,213	570,581	473,976	-
Other	490,122	730,839	481,020	609,083	543,743	639,907	648,563	708,355	735,185	-
Intermediate sources	-	-	-	-	-	-	-	-	19,285	-
State sources	10,101,224	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
Federal sources	655,885	661,246	672,251	958,202	973,015	1,717,305	494,736	475,069	505,885	546,403
Total	\$ 20,051,901	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
Expenditures:										
Instruction:										
Regular	\$ 7,907,799	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
Special	2,784,446	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
Other	1,836,055	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
Support services:										
Student	653,668	678,765	587,067	626,522	500,560	531,269	460,891	392,422	390,182	377,605
Instructional staff	652,982	639,940	960,451	673,883	658,147	568,704	497,993	500,475	538,959	371,027
Administration	1,432,648	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
Operation and maintenance										
of plant	1,419,394	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
Transportation	1,164,031	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
Non-instructional programs	-	-	-	-	-	3,268	-	115	145	-
Capital outlay	1,715,170	3,250,468	947,824	440,167	467,219	305,835	729,289	611,628	65,729	38,090
Long-term debt:										
Principal	600,000	590,000	570,000	555,000	540,000	510,000	480,000	460,000	705,000	950,000
Interest and other charges	325,633	39,781	57,500	74,922	91,825	117,419	176,933	197,593	222,942	291,216
Other expenditures:										
AEA flow-through	738,821	708,585	686,282	673,805	743,780	743,060	677,165	665,070	630,994	584,151
Total	\$ 21,230,647	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

\* 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, 2015

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	FY15	\$ 58,474
National School Lunch Program	10.555	FY15	407,252 *
Special Milk Program for Children	10.556	FY15	3,085
			<u>468,811</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	165,667
Title I Grants to Local Educational Agencies	84.010	1701-GC	36,609
			<u>202,276</u>
Special Education - Grants to States	84.027	FY15	<u>6,339</u> **
Career and Technical Education - Basic Grants to States	84.048	FY15	<u>19,601</u>
Improving Teacher Quality State Grants	84.367	FY15	<u>67,074</u> ***
Grants for State Assessments and Related Activities	84.369	FY15	<u>8,365</u>
Heartland Area Education Agency 11:			
Special Education - Grants to States	84.027	FY15	<u>111,954</u> **
Improving Teacher Quality State Grants	84.367	FY15	<u>16,303</u> ***
Total			<u>\$ 900,723</u>

\* - Includes \$75,291 of non-cash awards.

\*\* - Total for Special Education is \$118,293.

\*\*\* - Total for Improving Teacher Quality State Grants is \$83,377.

**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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2016.

**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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **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 8, 2016  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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**Independent Auditor's Report on Compliance for Each Major Federal Program  
and 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, 2015. 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, 2015.

## 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 8, 2016  
Newton, Iowa

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

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) No 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, 2015

**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-15 Certified Budget - District expenditures for the year ended June 30, 2015 did not exceed the amount budgeted.

IV-B-15 Questionable Disbursements - We noted during our audit an instance of the District purchasing an item to be given to a student from the Student Activity Fund, this does not appear to meet public purpose as defined in an Iowa Attorney General's opinion dated April 25, 1979.

Recommendation - Student Activity Fund monies are public funds and are subject to the statutory requirements for all public funds, which are governed by Article III, Section 31 of the Constitution of the State of Iowa which states that public funds may only be spent for the public benefit. The District should evaluate its procedures to ensure that all purchases meet public purpose and are appropriately documented.

Response - The District has notified student activity sponsors that donations or contributions to disadvantaged individuals or families does not meet the definition of public purpose by the Attorney General's opinion dated April 25, 1979. If student organizations wish to make charitable donations they will be made to reputable agencies that serve such populations.

Conclusion - Response accepted.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Tiefenthaler, Board Member		
Owns Performance Tire and Auto	Supplies	\$4,651
Owns LMS rentals & storage units	Rental	\$720
Jill Weber, Preschool Teacher		
Owns Stone Printing & Office Supplies	Supplies	\$36,980

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.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member Kim Tiefenthaler appear to represent a conflict of interest, due to exceeding the statutory limit of \$2,500.

Recommendation - The District should review its procedure to ensure compliance with the Code of Iowa and contact legal counsel to resolve this matter.

Response - The District will review procedures and contact legal counsel to resolve this matter.

Conclusion - Response accepted.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note instances of board minutes that were not published within the time frame established by 279.35 of the Code of Iowa.

Recommendation - The District should review its procedure to ensure compliance with the Code of Iowa.

Response - The District will review its procedures to ensure board minutes are published within the time frame established by 279.35 of the Code of Iowa.

Conclusion - Response accepted.

IV-G-15 Certified Enrollment - We noted the enrollment data certified to the Iowa Department of Education was understated by 0.52 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-H-15 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 1.201 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-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 5,292,410
Revenues:		
Sales tax revenues	\$ 1,591,911	
Other local revenues	<u>25,725</u>	<u>1,617,636</u>
		6,910,046
Expenditures/transfer out:		
School infrastructure construction	1,308,367	
Equipment	408,489	
Other	257,051	
Transfer to other funds:		
Debt service fund	<u>645,300</u>	<u>2,619,207</u>
Ending Balance		<u>\$ 4,290,839</u>

For the year ended June 30, 2015, 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>\$ 0.43722</u>	<u>\$ 400,000</u>

IV-M-15 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. We noted during our audit that the HS Student Council account was raising funds for scholarships and then transferring the funds to the Scholarship Fund.

Recommendation - It is inappropriate to use the Student Activity Fund as a clearing account for other funds. When money is raised it should be raised for a specific purpose and deposited into the fund that can legally expend the money. If money is raised for scholarships it should be received into the Scholarship Fund when it is raised.

Response - The District will deposit funds raised for scholarships directly into the Scholarship Fund.

Conclusion - Response accepted.

IV-N-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$5,484,351 in the governmental activities. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District will review the audit report annually with administration and the Board of Education to discuss the impact of GASB No. 68 and 71 on the District's financials for the current period and for future years.

Conclusion - Response accepted.