

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

JUNE 30, 2005

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Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Rod Bradley	President	2006
Craig Dozark	Vice President	2006
Brenda Martens	Board Member	2004
Kris Rowedder	Board Member	2005
Mark Johnson	Board Member	2005
Board of Education (After September 2004 Election)		
Rod Bradley	President	2006
Craig Dozark	Vice President	2006
Brenda Martens	Board Member	2007
Kris Rowedder	Board Member	2005
Mark Johnson	Board Member	2005
School Officials		
Mike Pardum	Superintendent	2005
Larry Struck	Business Manager	2005
Ruth Frazier	District Secretary	2005
Terry Prickett	District Treasurer	2005
Mundt, Franck and Schumacher	Attorney	2005

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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 Denison Community School District, Denison, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 Denison Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 18, 2006 on our consideration of Denison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Denison Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 18, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Denison 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Fiscal 2005 General Fund revenues increased \$671,332 from 2004 to 2005. The expenditures also increased during fiscal 2005, \$595,957. Despite the increases in both revenues and expenditures, the total expenditure still exceeded total revenues allowing the fund balance to drop \$82,310.
- In FY 2004, Crawford County approved a 10 year 1% local option sales and service tax. The District had its first full year of tax revenue in FY 2005, which increased the Capital Projects fund balance \$681,455.
- The District experienced another increase in certified enrollment again this year. September 2004 enrollment increased 65.4 students, which will help with state funding in 2006.
- The state again granted 2% "allowable growth," which was the increase in per pupil spending. This follows years of 1% and 2% allowable growth in fiscal years 2003 and 2004, respectively. Over the past three years Iowa school districts have received the least allowable growth in the nearly 35-year history of the school foundation aid formula.
- The District's School Nutrition Fund generated \$52,112 in profits, which in most part is due to the increase in federal revenues during the year. This increase brings the fund balance to \$370,092 at year-end.

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 Assets and a Statement of Activities. These provide information about the activities of Denison 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 Denison 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 Denison Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the 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.

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

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

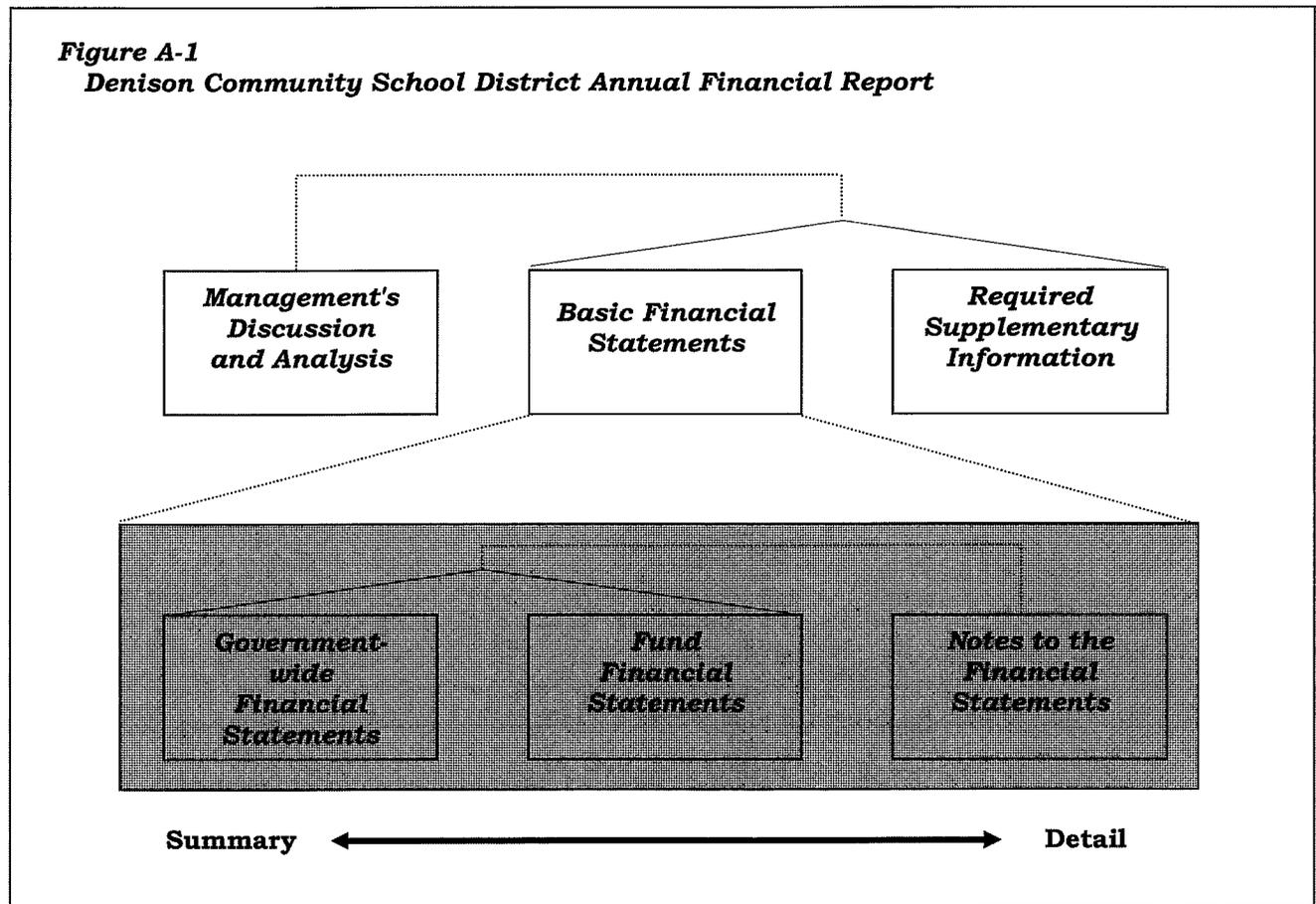


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are 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 and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets 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 Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. Another example is the Iowa Academic Decathlon.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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 assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 9,289,068	7,318,954	290,593	254,854	9,579,661	7,573,808	26.48%
Capital assets	5,678,803	4,866,127	91,697	71,418	5,770,500	4,937,545	16.87%
Total assets	14,967,871	12,185,081	382,290	326,272	15,350,161	12,511,353	22.69%
Long-term obligations	262,981	0	0	0	262,981	0	100.00%
Other liabilities	7,221,854	6,224,101	12,198	8,292	7,234,052	6,232,393	16.07%
Total liabilities	7,484,835	6,224,101	12,198	8,292	7,497,033	6,232,393	20.29%
Net assets:							
Invested in capital assets, net of related debt	5,678,803	5,186,267	91,697	71,418	5,770,500	5,257,685	9.75%
Restricted	1,495,030	9,997	0	0	1,495,030	9,997	14854.79%
Unrestricted	309,203	764,716	278,395	246,562	587,598	1,011,278	-41.90%
Total net assets	\$ 7,483,036	5,960,980	370,092	317,980	7,853,128	6,278,960	25.07%

The District's combined net assets increased by 25.07%, or \$1,574,168, over the prior year. The largest portion of the District's net assets is the 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 assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,485,033 over the prior year. The increase was primarily a result of reclassifying the fund balances of the Physical Plant and Equipment Levy, Capital Projects, Student Activity and Expendable Trust Funds from unrestricted to restricted.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$423,680, or 42%. This decrease is due to the reclassification discussed above.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 1,795,507	1,788,962	308,637	302,351	2,104,144	2,091,313	0.61%
Operating grants and contributions and restricted interest	1,910,954	1,944,475	525,590	448,755	2,436,544	2,393,230	1.81%
Capital grants and contributions and restricted interest	593,096	0	0	0	593,096	0	100.00%
General revenues:							
Property tax	3,445,100	3,448,697	0	0	3,445,100	3,448,697	-0.10%
Local option sales and services tax	919,698	198,771	0	0	919,698	198,771	362.69%
Unrestricted state grants	7,533,625	6,576,401	0	0	7,533,625	6,576,401	14.56%
Other	84,373	97,702	3,610	1,667	87,983	99,369	-11.46%
Total revenues	16,282,353	14,055,008	837,837	752,773	17,120,190	14,807,781	15.62%
Program expenses:							
Governmental activities:							
Instructional	9,983,188	9,354,214	0	0	9,983,188	9,354,214	6.72%
Support services	4,163,745	4,024,860	0	0	4,163,745	4,024,860	3.45%
Non-instructional programs	1,978	0	785,725	722,349	787,703	722,349	9.05%
Other expenses	611,386	526,472	0	0	611,386	526,472	16.13%
Total expenses	14,760,297	13,905,546	785,725	722,349	15,546,022	14,627,895	6.28%
Changes in net assets	1,522,056	149,462	52,112	30,424	1,574,168	179,886	775.09%
Beginning Net Assets	5,960,980	5,811,518	317,980	287,556	6,278,960	6,099,074	2.95%
Ending Net Assets	\$ 7,483,036	5,960,980	370,092	317,980	7,853,128	6,278,960	25.07%

Property tax, local option sales and services tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$16,282,353 and expenses were \$14,760,297.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,983,188	6,871,784
Support services	4,163,745	4,101,730
Non-instruction	1,978	1,978
Other expenses	611,386	(514,752)
Totals	<u>\$ 14,760,297</u>	<u>10,460,740</u>

- The cost financed by users of the District’s programs was \$1,795,507.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,910,954.
- The net cost of governmental activities was financed with \$3,445,100 in local tax, \$919,698 in local option sales and service tax, \$7,533,625 in state grants and \$57,458 in interest income.

Business-Type Activities

Revenues of the District’s business-type activity were \$837,837 and expenses were \$785,725. The District’s business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Denison 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 \$1,891,141, above last year’s ending fund balances of \$1,094,853. However, the primary reason for the increase in the combined fund balances is the increase in local option sales and service tax revenue in the Capital Projects Fund.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Growth during the year in state revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was partially offset by the District’s increase in General Fund expenditures, however the net result was still a decrease in fund balance from \$401,977 to \$319,667.
- The Capital Projects fund balance overall increased from \$193,256 to \$874,711, due in most part to the increase in revenues. However, the expenditures also increased during the year due to the construction at the elementary school.
- The Special Revenue - Physical Plant and Equipment Levy (PPEL) fund balance increased \$95,451, due in part due to the District receiving a Fire Safety Grant and Iowa Demonstration Grant. These monies are used to offset the expenses incurred with the school updates.

Proprietary Fund Highlights

The School Nutrition Fund used its increase in federal revenues to offset the continued increase in food costs, and salaries and benefits. Overall, net assets increased from \$317,980 at June 30, 2004 to \$370,092 at June 30, 2005, representing an increase of 16.4%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$379,083 less than budgeted revenues, a variance of 2.2%. The most significant variance resulted from the District receiving less in federal 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 at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$5,770,500, 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 96.06% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$265,092.

The original cost of the District’s capital assets was \$10,789,322. Governmental funds account for \$10,571,977 with the remainder of \$217,345 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$785,827 at June 30, 2005. This increase resulted from the elementary school improvements and fire code updates.

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,
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 113,780	113,780	0	0	113,780	113,780	0.00%
Construction in progress	785,827	0	0	0	785,827	0	100.00%
Buildings	4,095,862	3,957,441	0	0	4,095,862	3,957,441	3.50%
Land improvements	300,340	332,188	0	0	300,340	332,188	-9.59%
Machinery and equipment	382,994	462,718	91,697	71,418	474,691	534,136	-11.13%
Total	\$ 5,678,803	4,866,127	91,697	71,418	5,770,500	4,937,545	16.87%

Long-Term Debt

At June 30, 2005, the District had \$262,981 in early retirement long-term debt outstanding. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total Change
	School District		
	June 30, 2005	2004	
Early retirement	\$ 262,981	0	100.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced and is expecting continued increases in certified enrollment, due to an increase in the number of jobs in Denison which has kept families in the District limits.
- In December, 2005, voters of Crawford County approved the sale of bonds for a new middle school project and to renovate the old middle school. At this time, the suggested bond sale looks to be \$5,000,000 in General Obligation Bonds and \$4,000,000 in Sales Tax Revenue Bonds.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. With the legislature approving allowable growth at 4% for FY 06, the District will continue to be forced to shift funding to property taxes.
- The voters of Crawford County passed the Local Option Sales and Services Tax for School Infrastructure (SILO). This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment. This funding began in 2004 and will go through the 2013-14 school year.
- The District is currently in a two-year Master Contract Agreement. The average settlement with the DEA for the 2005-06 school year was 4.46%, which also included a 9.45% increase in health insurance premiums. This brings the average salary for 2005-06 school year to \$42,898.

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 Larry Struck, Business Manager, Denison Community School District, 819 North 16th Street, Denison, Iowa, 51442.

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 2,244,189	0	2,244,189
Other	2,271,101	275,776	2,546,877
Receivables:			
Property tax:			
Delinquent	45,571	0	45,571
Succeeding year	3,258,378	0	3,258,378
Income surtax	176,073	0	176,073
Accounts	621,030	4,897	625,927
Accrued interest:			
ISCAP (Note 4)	480	0	480
Due from other governments	659,812	0	659,812
Inventories	12,434	9,920	22,354
Capital assets, net of accumulated depreciation (Note 5)	5,678,803	91,697	5,770,500
TOTAL ASSETS	14,967,871	382,290	15,350,161
LIABILITIES			
Accounts payable	513,575	6,318	519,893
Salaries and benefits payable	1,185,470	0	1,185,470
ISCAP warrants payable (Note 4)	2,234,000	0	2,234,000
ISCAP interest payable (Note 4)	428	0	428
ISCAP unamortized premium	30,003	0	30,003
Deferred revenue:			
Succeeding year property tax	3,258,378	0	3,258,378
Other	0	5,880	5,880
Long-term liabilities (Note 6):			
Portion due within one year:			
Early retirement payable	50,453	0	50,453
Portion due after one year:			
Early retirement payable	212,528	0	212,528
TOTAL LIABILITIES	7,484,835	12,198	7,497,033
NET ASSETS			
Investment in capital assets, net of related debt	5,678,803	91,697	5,770,500
Restricted for:			
Capital Projects	874,711	0	874,711
Physical plant and equipment levy	401,873	0	401,873
Other special revenue purposes	218,446	0	218,446
Unrestricted	309,203	278,395	587,598
TOTAL NET ASSETS	\$ 7,483,036	370,092	7,853,128

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,742,058	586,964	1,223,640	0
Special instruction	2,290,019	383,444	108,437	0
Other instruction	1,951,111	808,919	0	0
	<u>9,983,188</u>	<u>1,779,327</u>	<u>1,332,077</u>	<u>0</u>
Support services:				
Student services	456,834	0	0	0
Instructional staff services	377,187	0	0	0
Administration services	1,327,814	0	0	0
Operation and maintenance of plant services	1,349,932	0	0	0
Transportation services	651,978	16,180	45,835	0
	<u>4,163,745</u>	<u>16,180</u>	<u>45,835</u>	<u>0</u>
Non-instructional programs:				
Food service operations	1,978	0	0	0
Other expenditures:				
Facilities acquisitions	34,055	0	0	593,096
AEA flowthrough	533,042	0	533,042	0
Depreciation (unallocated)*	44,289	0	0	0
	<u>611,386</u>	<u>0</u>	<u>533,042</u>	<u>593,096</u>
Total governmental activities	14,760,297	1,795,507	1,910,954	593,096
Business-Type activities:				
Non-instructional programs:				
Nutrition services	785,725	308,637	525,590	0
Total	<u>\$ 15,546,022</u>	<u>2,104,144</u>	<u>2,436,544</u>	<u>593,096</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Sale of equipment and materials
Transfer in

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,931,454)	0	(3,931,454)
(1,798,138)	0	(1,798,138)
(1,142,192)	0	(1,142,192)
<u>(6,871,784)</u>	<u>0</u>	<u>(6,871,784)</u>
(456,834)	0	(456,834)
(377,187)	0	(377,187)
(1,327,814)	0	(1,327,814)
(1,349,932)	0	(1,349,932)
(589,963)	0	(589,963)
<u>(4,101,730)</u>	<u>0</u>	<u>(4,101,730)</u>
(1,978)	0	(1,978)
559,041	0	559,041
0	0	0
(44,289)	0	(44,289)
<u>514,752</u>	<u>0</u>	<u>514,752</u>
(10,460,740)	0	(10,460,740)
0	48,502	48,502
<u>(10,460,740)</u>	<u>48,502</u>	<u>(10,412,238)</u>
\$ 3,215,718	0	3,215,718
229,382	0	229,382
919,698	0	919,698
7,533,625	0	7,533,625
57,458	3,610	61,068
5,507	0	5,507
21,408	0	21,408
<u>11,982,796</u>	<u>3,610</u>	<u>11,986,406</u>
1,522,056	52,112	1,574,168
5,960,980	317,980	6,278,960
<u>\$ 7,483,036</u>	<u>370,092</u>	<u>7,853,128</u>

DENISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments					
ISCAP(Note 4)	\$ 2,244,189	0	0	0	2,244,189
Other	1,429,330	0	601,436	273,961	2,304,727
Receivables:					
Property tax					
Delinquent	43,369	1,103	0	1,099	45,571
Succeeding year	3,105,766	77,612	0	75,000	3,258,378
Income surtax	176,073	0	0	0	176,073
Accounts	4,557	593,096	0	23,377	621,030
Accrued interest:					
ISCAP(Note 4)	480	0	0	0	480
Due from other governments	386,537	0	273,275	0	659,812
Inventories	12,434	0	0	0	12,434
TOTAL ASSETS	\$ 7,402,735	671,811	874,711	373,437	9,322,694
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 351,328	158,700	0	3,547	513,575
Excess of warrants issued over bank balance	0	33,626	0	0	33,626
Salaries and benefits payable	1,185,470	0	0	0	1,185,470
ISCAP warrants payable(Note 4)	2,234,000	0	0	0	2,234,000
ISCAP interest payable(Note 4)	428	0	0	0	428
ISCAP unamortized premium	30,003	0	0	0	30,003
Deferred revenue:					
Succeeding year property tax	3,105,766	77,612	0	75,000	3,258,378
Income surtax	176,073	0	0	0	176,073
Total liabilities	7,083,068	269,938	0	78,547	7,431,553
Fund balances:					
Reserved for:					
Inventories	12,434	0	0	0	12,434
Undesignated:					
General	307,233	0	0	0	307,233
Physical plant and equipment levy	0	401,873	0	0	401,873
Capital projects	0	0	874,711	0	874,711
Management levy	0	0	0	76,444	76,444
Other special revenue purposes	0	0	0	218,446	218,446
Total fund balances	319,667	401,873	874,711	294,890	1,891,141
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,402,735	671,811	874,711	373,437	9,322,694

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 1,891,141
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	5,678,803
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	176,073
Early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(262,981)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 7,483,036</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,964,498	229,382	0	75,147	3,269,027
Local option sales and service tax	0	0	919,698	0	919,698
Tuition	970,408	0	0	0	970,408
Other	256,320	370	5,035	619,332	881,057
Intermediate sources	1,500	0	0	0	1,500
State sources	8,598,232	69	0	69	8,598,370
Federal sources	846,209	593,096	0	0	1,439,305
Total revenues	<u>13,637,167</u>	<u>822,917</u>	<u>924,733</u>	<u>694,548</u>	<u>16,079,365</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	5,497,859	0	0	20,091	5,517,950
Special instruction	2,271,519	0	0	0	2,271,519
Other instruction	1,399,349	0	0	536,687	1,936,036
	<u>9,168,727</u>	<u>0</u>	<u>0</u>	<u>556,778</u>	<u>9,725,505</u>
Support services:					
Student services	434,464	0	0	0	434,464
Instructional staff services	365,182	0	0	0	365,182
Administration services	1,264,476	0	0	2,130	1,266,606
Operation and maintenance of plant services	1,296,813	0	0	44,588	1,341,401
Transportation services	660,302	0	0	10,768	671,070
	<u>4,021,237</u>	<u>0</u>	<u>0</u>	<u>57,486</u>	<u>4,078,723</u>
Non-instructional programs:					
Food service operations	1,978	0	0	0	1,978
Other expenditures:					
Facilities acquisitions	0	727,466	243,278	0	970,744
AEA flowthrough	533,042	0	0	0	533,042
	<u>533,042</u>	<u>727,466</u>	<u>243,278</u>	<u>0</u>	<u>1,503,786</u>
Total expenditures	<u>13,724,984</u>	<u>727,466</u>	<u>243,278</u>	<u>614,264</u>	<u>15,309,992</u>
Excess(deficiency) of revenues over(under) expenditures	(87,817)	95,451	681,455	80,284	769,373
Other financing sources(uses):					
Transfer in	0	0	0	21,408	21,408
Sale of equipment and materials	5,507	0	0	0	5,507
Total other financing sources	<u>5,507</u>	<u>0</u>	<u>0</u>	<u>21,408</u>	<u>26,915</u>
Net change in fund balances	(82,310)	95,451	681,455	101,692	796,288
Fund balance beginning of year	401,977	306,422	193,256	193,198	1,094,853
Fund balance end of year	<u>\$ 319,667</u>	<u>401,873</u>	<u>874,711</u>	<u>294,890</u>	<u>1,891,141</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds(page 19) \$ 796,288

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 1,068,757	
Depreciation expense	<u>(256,081)</u>	812,676

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 176,073

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.

Early Retirement	<u>(262,981)</u>
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Changes in net assets of governmental activities(page 16) \$ 1,522,056

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 275,776
Receivables:	
Accounts	4,897
Inventories	9,920
Capital assets, net of accumulated depreciation(note 5)	91,697
TOTAL ASSETS	<u>382,290</u>
LIABILITIES	
Accounts payable	6,318
Deferred revenue:	
Other	5,880
TOTAL LIABILITIES	<u>12,198</u>
NET ASSETS	
Investment in capital assets	91,697
Unrestricted:	
Undesignated	278,395
TOTAL NET ASSETS	<u>\$ 370,092</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 308,637
TOTAL OPERATING REVENUES	308,637
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	267,851
Benefits	40,199
Services	6,017
Supplies	458,978
Other	3,669
Depreciation	9,011
TOTAL OPERATING EXPENSES	785,725
OPERATING LOSS	(477,088)
NON-OPERATING REVENUES:	
Interest	3,610
State sources	11,380
Federal sources	514,210
TOTAL NON-OPERATING REVENUES	529,200
Change in net assets	52,112
Net assets beginning of year	317,980
Net assets end of year	\$ 370,092

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 302,532
Cash received from miscellaneous operating activities	2,289
Cash payments to employees for services	(308,050)
Cash payments to suppliers for goods or services	(412,173)
Net cash used in operating activities	(415,402)
Cash flows from non-capital financing activities:	
State grants received	11,380
Federal grants received	464,727
Net cash provided by non-capital financing activities	476,107
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(29,290)
Net cash used in capital and related financing activities	(29,290)
Cash flows from investing activities:	
Interest on investments	3,610
Net cash provided by investing activities	3,610
Net increase in cash and cash equivalents	35,025
Cash and cash equivalents at beginning of year	240,751
Cash and cash equivalents at end of year	\$ 275,776
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (477,088)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	49,483
Depreciation	9,011
Decrease in inventories	4,173
Increase in accounts receivable	(4,887)
Increase in accounts payable	2,835
Increase in deferred revenue	1,071
Net cash used in operating activities	\$ (415,402)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 275,776
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	

During the year ended June 30, 2005, the District received Federal commodities valued at \$49,483.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private Purpose Trust	Agency
	Scholarship	
ASSETS		
Cash and pooled investments	\$ 12,000	5,390
TOTAL ASSETS	12,000	5,390
LIABILITIES		
Due to other groups	0	5,390
TOTAL LIABILITIES	0	5,390
NET ASSETS		
Reserved for scholarships	\$ 12,000	0

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2005

	Private Purpose Trust Scholarship
Additions:	
Total additions	0
Deductions:	
Total deductions	0
Income before transfer	0
Transfer out	(21,408)
Change in net assets	(21,408)
Net assets beginning of year	33,408
Net assets end of year	\$ 12,000

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Denison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Denison, Kiron, Deloit, Iowa, and a small portion of rural Ida County and the predominate agricultural territory of Crawford 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, Denison Community School District has included all funds, organizations, account groups, 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 Denison 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 do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Crawford County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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.

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 utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District's proprietary funds are the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. 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	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

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

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

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 Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,261</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenues - Expendable Trust	Non-expendable Trust	<u>\$ 21,408</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/2004	6/30/2005	\$ 292	0	0	0
2005-06A	6/28/2005	6/28/2006	2,243,897	480	2,234,000	428
			<u>\$ 2,244,189</u>	<u>480</u>	<u>2,234,000</u>	<u>428</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004/05A	\$ 0	1,100,000	1,100,000	0
Total	\$ 0	1,100,000	1,100,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 113,780	0	0	113,780
Construction in progress	0	785,827	0	785,827
Total capital assets not being depreciated	113,780	785,827	0	899,607
Capital assets being depreciated:				
Buildings	7,588,831	128,856	0	7,717,687
Land improvements	494,583	22,006	0	516,589
Machinery and equipment	3,427,036	132,068	2,121,010	1,438,094
Total capital assets being depreciated	11,510,450	282,930	2,121,010	9,672,370
Less accumulated depreciation for:				
Buildings	3,631,390	0	9,565	3,621,825
Land improvements	162,395	53,854	0	216,249
Machinery and equipment	2,964,318	211,792	2,121,010	1,055,100
Total accumulated depreciation	6,758,103	265,646	2,130,575	4,893,174
Total capital assets being depreciated, net	4,752,347	17,284	(9,565)	4,779,196
Governmental activities capital assets, net	\$ 4,866,127	803,111	(9,565)	5,678,803

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 211,332	29,290	23,277	217,345
Less accumulated depreciation	139,914	9,011	23,277	125,648
Business-type activities capital assets, net	\$ 71,418	20,279	0	91,697

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 83,264
Other	1,325
Support services:	
Student services	2,120
Instructional services	1,692
Administration	8,489
Operation and maintenance	4,906
Transportation	109,996
	<u>211,792</u>
Unallocated depreciation	<u>44,289</u>
Total governmental activities depreciation expense	<u>\$ 256,081</u>
Business-type activities:	
Food services	<u>\$ 9,011</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 0	317,184	54,203	262,981	50,453

Early Retirement

The District offers a voluntary early retirement plan to any full-time District employee who is presently covered by the District's insurance program, is presently under contract, has been with the District for ten or more years, and who on July 1 of the retirement year is between the ages of fifty-five and sixty-four. certified and support staff employees. Employees must complete an application which is required to be approved by the Board of Education. The District provides a minimum benefit of \$75 per month for the monthly premiums for single and family health and major medical insurance coverage. Early retirement benefits paid during the year ended June 30, 2005, totaled \$54,203. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$499,547, \$481,943 and \$460,520 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment is going to be 2% of the 2004-05 and 2005-06 premiums. As of June 30, 2005 the District had paid \$24,158 of the assessment. The remainder of the 2% assessment will be paid on a monthly basis along with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$1,207,911.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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 \$533,042 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

The District has entered into contracts totaling \$1,305,376 for the construction of a new middle school and other renovations. As of June 30, 2005, costs of \$785,827 had been incurred against the contract. The balance of \$519,549 remaining at June 30, 2005 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTAL INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 6,040,190	312,247
Intermediate sources	1,500	0
State sources	8,598,370	11,380
Federal sources	1,439,305	514,210
Total revenues	<u>16,079,365</u>	<u>837,837</u>
Expenditures:		
Instruction	9,725,505	0
Support services	4,078,723	0
Non-instructional programs	1,978	785,725
Other expenditures	1,503,786	0
Total expenditures	<u>15,309,992</u>	<u>785,725</u>
Excess of revenues over expenditures	769,373	52,112
Other financing sources, net	<u>26,915</u>	0
Excess of revenues and other financing sources over expenditures	796,288	52,112
Balance beginning of year	<u>1,094,853</u>	<u>317,980</u>
Balance end of year	<u>\$ 1,891,141</u>	<u>370,092</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,352,437	6,424,457	6,424,457	(72,020)
1,500	0	0	1,500
8,609,750	8,732,828	8,732,828	(123,078)
1,953,515	2,139,000	2,139,000	(185,485)
<u>16,917,202</u>	<u>17,296,285</u>	<u>17,296,285</u>	<u>(379,083)</u>
9,725,505	10,035,444	10,035,444	309,939
4,078,723	4,222,858	4,222,858	144,135
787,703	880,538	880,538	92,835
1,503,786	1,675,213	1,675,213	171,427
<u>16,095,717</u>	<u>16,814,053</u>	<u>16,814,053</u>	<u>718,336</u>
821,485	482,232	482,232	339,253
<u>26,915</u>	<u>2,000</u>	<u>2,000</u>	<u>24,915</u>
848,400	484,232	484,232	364,168
<u>1,412,833</u>	<u>1,371,310</u>	<u>1,371,310</u>	<u>(41,523)</u>
<u>2,261,233</u>	<u>1,855,542</u>	<u>1,855,542</u>	<u>322,645</u>

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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.

OTHER SUPPLEMENTAL INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds			Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Expendable Trust	
ASSETS				
Cash and pooled investments	\$ 75,345	178,592	20,024	273,961
Receivables:				
Property tax				
Current year delinquent	1,099	0	0	1,099
Succeeding year	75,000	0	0	75,000
Accounts	0	23,377	0	23,377
TOTAL ASSETS	\$ 151,444	201,969	20,024	373,437
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 0	3,547	0	3,547
Deferred revenue:				
Succeeding year property tax	75,000	0	0	75,000
	75,000	3,547	0	78,547
Fund equity:				
Fund balances:				
Unreserved, undesignated	76,444	198,422	20,024	294,890
	76,444	198,422	20,024	294,890
TOTAL LIABILITIES AND FUND EQUITY	\$ 151,444	201,969	20,024	373,437

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			Total
	Manage- ment	Student Activity	Expendable Trust	Other Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 75,147	0	0	75,147
Other	398	616,248	2,686	619,332
State sources	69	0	0	69
TOTAL REVENUES	<u>75,614</u>	<u>616,248</u>	<u>2,686</u>	<u>694,548</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	20,091	0	0	20,091
Other instruction	0	532,617	4,070	536,687
Support services:				
Administration services	2,130	0	0	2,130
Operation and maintenance of plant services	44,588	0	0	44,588
Transportation services	10,768	0	0	10,768
TOTAL EXPENDITURES	<u>77,577</u>	<u>532,617</u>	<u>4,070</u>	<u>614,264</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,963)	83,631	(1,384)	80,284
OTHER FINANCING SOURCES:				
Transfers in	0	0	21,408	21,408
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(1,963)	83,631	20,024	101,692
FUND BALANCE BEGINNING OF YEAR	<u>78,407</u>	<u>114,791</u>	<u>0</u>	<u>193,198</u>
FUND BALANCE END OF YEAR	<u>\$ 76,444</u>	<u>198,422</u>	<u>20,024</u>	<u>294,890</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 4,518	2,666	2,611	4,573
Musical	6,415	15	1,422	5,008
Drama rental	287	0	0	287
Vocal	445	5,232	3,506	2,171
Show choir	1,250	9,397	10,564	83
Band	996	29,859	30,855	0
MS band	1,803	1,898	2,257	1,444
Athletics	(1,749)	96,091	71,861	22,481
MS athletics	0	5,630	5,630	0
Cross country	1,645	5,866	3,610	3,901
Art club	2,923	0	2,109	814
Baseball club	17,674	13,897	14,431	17,140
Basketball club	655	4,221	3,845	1,031
Football club	(2,320)	8,617	4,480	1,817
World language club	603	0	0	603
Boys golf club	2,665	3,186	3,265	2,586
Girl golf club	(31)	1,240	568	641
Health career club	2,210	475	300	2,385
Industrial arts club	422	0	0	422
Monarch athletics club	58	0	58	0
Softball club	1,193	3,975	4,270	898
Boys tennis club	102	1,522	1,624	0
Girls tennis club	344	2,656	2,533	467
Track club	(584)	1,508	924	0
Volleyball club	856	5,111	4,961	1,006
Wrestling club	1,078	1,922	1,923	1,077
Boys soccer	59	3,075	3,134	0
Fitness center	2,073	4,058	4,780	1,351
All sport fitness	83	0	83	0
Girls soccer	5,794	10,628	12,659	3,763
National honor society	(613)	390	0	(223)
Do something club	250	246	236	260
Multi-cultural club	0	335	50	285
Activity ticket	208	9,592	9,800	0
Academic decathlon	(49)	500	630	(179)
Armory pop fund	1,686	4,371	3,426	2,631
Girls basketball camp	4,502	15,129	12,434	7,197
Business 2000	85	1,456	2,570	(1,029)
Change	0	222	222	0

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cheerleaders	1,420	13,021	13,047	1,394
Concessions	0	37,162	37,162	0
Elementary activity	10,512	58,870	43,632	25,750
FCA	130	150	238	42
FFA Canada trip	718	8,282	238	8,762
FFA	16,728	55,556	59,466	12,818
Forensics	(1,752)	6,550	4,798	0
HS faculty pop	314	3,945	3,295	964
Insufficient checks	(432)	301	351	(482)
FCCLA	536	2,990	2,895	631
Interest	0	3,169	3,169	0
MS faculty pop	1,133	2,415	1,996	1,552
MS activity	9,023	49,343	50,721	7,645
Destin. Imagin.	865	19,196	16,233	3,828
HS pop fund	0	20,067	20,067	0
Students assist	1,419	4,455	972	4,902
Renaissance fun	1,388	0	64	1,324
Wr cheerleaders	797	1,646	2,443	0
Student ambassador	1,834	8,034	990	8,878
Student senate	532	26,407	21,980	4,959
Yearbook	(8,322)	11,202	2,053	827
Girls track	(159)	5,777	5,091	527
Elementary faculty pop	701	3,496	1,962	2,235
Elementary di	132	577	709	0
Middle school di	207	0	262	(55)
High school di	643	444	1,014	73
Builders club	77	0	0	77
MS concessions	229	857	898	188
Peer mediation	186	0	0	186
Java den	422	38	0	460
Elementary mentor	14,185	10,120	358	23,947
Community service	50	0	0	50
Class of 04	0	500	500	0
Class of 05	2,222	2,144	4,366	0
Class of 06	1,040	3,475	3,796	719
Class of 07	477	641	220	898
Class of 08	0	432	0	432
Total	\$ 114,791	616,248	532,617	198,422

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>IOWA ACADEMIC DECATHLON</u>				
ASSETS				
Cash and pooled investments	\$ 3,044	18,281	15,974	5,351
	<u>\$ 3,044</u>	<u>18,281</u>	<u>15,974</u>	<u>5,351</u>
LIABILITIES				
Accounts payable	\$ 3,044	0	3,044	0
Due to other groups	0	5,351	0	5,351
	<u>\$ 3,044</u>	<u>5,351</u>	<u>3,044</u>	<u>5,351</u>
<u>TOURNAMENT</u>				
ASSETS				
Cash and pooled investments	\$ 0	54,716	54,716	0
	<u>\$ 0</u>	<u>54,716</u>	<u>54,716</u>	<u>0</u>
LIABILITIES				
	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>BOOK FEES</u>				
ASSETS				
Cash and pooled investments	\$ 0	21,177	21,177	0
	<u>\$ 0</u>	<u>21,177</u>	<u>21,177</u>	<u>0</u>
LIABILITIES				
	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>LOCKER FEES</u>				
ASSETS				
Cash and pooled investments	\$ 0	1,174	1,135	39
	<u>\$ 0</u>	<u>1,174</u>	<u>1,135</u>	<u>39</u>
LIABILITIES				
Due to other groups	\$ 0	39	0	39
	<u>\$ 0</u>	<u>39</u>	<u>0</u>	<u>39</u>

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>SUMMER SCHOOL</u>				
ASSETS				
Cash and pooled investments	\$ (125)	5,155	5,030	0
LIABILITIES				
Accounts payable	\$ (125)	0	(125)	0
<u>DRIVERS ED FEES</u>				
ASSETS				
Cash and pooled investments	\$ 0	13,395	13,395	0
LIABILITIES				
	\$ 0	0	0	0
<u>MISCELLANEOUS</u>				
ASSETS				
Cash and pooled investments	\$ (96)	2,173	2,077	0
LIABILITIES				
Accounts payable	\$ (96)	0	(96)	0
<u>Total</u>				
ASSETS				
Cash and pooled investments	\$ 2,823	116,071	113,504	5,390
LIABILITIES				
Accounts payable	\$ 2,823	0	2,823	0
Due to other groups	0	5,390	0	5,390
	\$ 2,823	5,390	2,823	5,390

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 4,188,725	3,647,468	3,219,707	3,143,524
Tuition	970,408	1,176,857	1,043,826	1,120,031
Other	881,057	620,216	720,347	690,089
Intermediate sources	1,500	3,400	0	0
State sources	8,598,370	7,616,970	7,494,532	6,969,104
Federal sources	1,439,305	910,323	612,030	485,205
Total	\$ 16,079,365	13,975,234	13,090,442	12,407,953
Expenditures:				
Instruction:				
Regular instruction	\$ 5,517,950	5,312,309	5,072,937	5,036,267
Special instruction	2,271,519	1,742,179	1,578,408	1,496,509
Other instruction	1,936,036	2,294,602	2,146,493	1,983,755
Support services:				
Student services	434,464	410,391	383,120	357,956
Instructional staff services	365,182	359,976	315,784	335,958
Administration services	1,266,606	1,159,764	1,074,188	1,037,675
Operation and maintenance of plant services	1,341,401	1,221,855	1,103,173	1,072,446
Transportation services	671,070	687,517	572,696	410,288
Other support services	0	16,244	0	0
Non-instructional programs	1,978	0	0	0
Other expenditures:				
Facilities acquisitions	970,744	201,172	177,486	429,326
Long-term debt:				
Principal	0	0	0	185,000
Interest and other charges	0	0	0	13,435
AEA flow-through	533,042	499,208	509,098	489,197
Total	\$ 15,309,992	13,905,217	12,933,383	12,847,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 49,483
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	82,796
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	370,668
SUMMER FOOD SERVICE PROGRAM	10.559	FY 05	11,263
			<u>464,727</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	331,805
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	22,295
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.011	1701-M	195,300
			<u>549,400</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 05	43,210
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 05	11,622
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	3,920
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 05	10,728
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 05	78,028

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 05	<u>58,202</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION)	84.215	FY 05	<u>484,355</u>
SIG/ CAREER LADDER	84.027	FY 04	<u>928</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>107,509</u>
TOTAL			<u>\$ 1,862,112</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Denison 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 general-purpose 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
Denison Community School District:

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 Denison Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 18, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Denison Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Denison Community School District and other parties to Denison Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 18, 2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Denison Community School District

Compliance

We have audited the compliance of Denison Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Denison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Denison Community School District's management. Our responsibility is to express an opinion on Denison Community School District's compliance based on our audit.

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 noncompliance 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 Denison Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Denison Community School District's compliance with those requirements.

In our opinion, Denison Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Denison Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Denison Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with

applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-05 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denison Community School District and other parties to whom Denison Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 18, 2006

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (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 program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.215 – Fund for the improvement of education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Denison Community School District did not qualify as a low-risk auditee.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

II-B-05 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We have informed the Athletic Director and changes are put into effect immediately.

Conclusion - Response accepted.

II-C-05 Activity Fund Accounts - We noted that the Student Activity Fund has an elementary, middle school and high school faculty pop fund. These funds are not student run organizations, therefore they should not be in the Student Activity Fund.

Recommendation - The revenues can stay in the Student Activity Fund, but they have to be assigned to a certain student run organizations. If not assigned, then the faculty pop funds would more appropriately be handled through the General Fund

Response - We would propose moving the faculty pop accounts to the agency accounting fund.

Conclusion - Response accepted.

II-D-05 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will more carefully review receipts for appropriate detail.

Conclusion - Response accepted.

II-E-05 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will take appropriate steps to comply.

Conclusion - Response accepted.

II-F-05 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We have already made changes.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2005
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.215: Fund for the Improvement of Education
Federal Award Year: 2005
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation. We do have a main operator for the bookkeeping computer but we are cross trained and receipts are initially accepted by a different person.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 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-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Johnson, Board Member Spouse is part owner of Bohlman, INC.	Property, rocks and dirt	\$15,619
Ed Fink, Custodian Owns Fink Welding Works & official	Official	\$1,435

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions with the spouse of the Board Member do not appear to be a conflict of interest.

In accordance with an Attorney's General's opinion dated July 2, 1990, the above transactions with Ed Fink do not appear to represent a conflict of interest.

IV-F-05 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-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will review procedures to make certain all publishing dates are met.

Conclusion - Response accepted.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the

IV-I-05 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-05 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-05 Financial Condition - During our audit we noted that the District had negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - Annually we review balances and work with sponsors to meet the goal of a positive balance.

Conclusion - Response accepted.