

DENISON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 22
Statement of Changes in Fiduciary Net Assets	K 23
Notes to Financial Statements	24-37
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	38
Notes to Required Supplementary Information - Budgetary Reporting	39
Schedule of Funding Progress for the Retiree Health Plan	40
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 42
Schedule of Changes in Student Activity Accounts	3 43-44
Combining Balance Sheet for Capital Projects Fund	4 45
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Fund	5 46
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	6 47
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	7 48
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8 49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9 50
Schedule of Expenditures of Federal Awards	10 51-52
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	53-54
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance	55-56
Schedule of Findings and Questioned Costs	57-62

Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Rod Bradley	President	2009
Brenda Martens	Vice President	2010
Les Lewis	Board Member	2009
Kris Rowedder	Board Member	2008
Mark Johnson	Board Member	2008
<b>Board of Education (After September 2008 Election)</b>		
Rod Bradley	President	2009
Brenda Martens	Vice President	2009 *
Les Lewis	Board Member	2009
Kris Rowedder	Board Member	2011
Mark Johnson	Board Member	2011
<b>School Officials</b>		
Mike Pardun	Superintendent	2009
Scott Larson	Business Manager	2009
Ruth Frazier	District Secretary	2009
Terry Prickett	District Treasurer	2009
Mundt, Franck and Schumacher	Attorney	2009

\* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

INDEPENDENT AUDITOR'S REPORT

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, 2009, 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, 2009, 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 report dated January 29, 2010 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. That report is 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 and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 are not required parts of the

basic financial statements, but are supplementary 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 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. We previously audited the financial statements for the previous four years ended June 30, 2008 while another auditor previously audited the financial statements for the year ended June 30, 2004, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 10, 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, P.C.

January 29, 2010

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

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$16,696,158 in fiscal 2008 to \$17,369,826 in fiscal 2009, while General Fund expenditures increased from \$16,686,062 in fiscal 2008 to \$17,254,407 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$1,385,748 in fiscal 2008 to a balance of \$1,501,167 in fiscal 2009, which is an 8.33% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2009. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased slightly as compared to fiscal 2008. At June 30, 2008 the District's solvency ratio was 8.04% as compared to 8.00% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

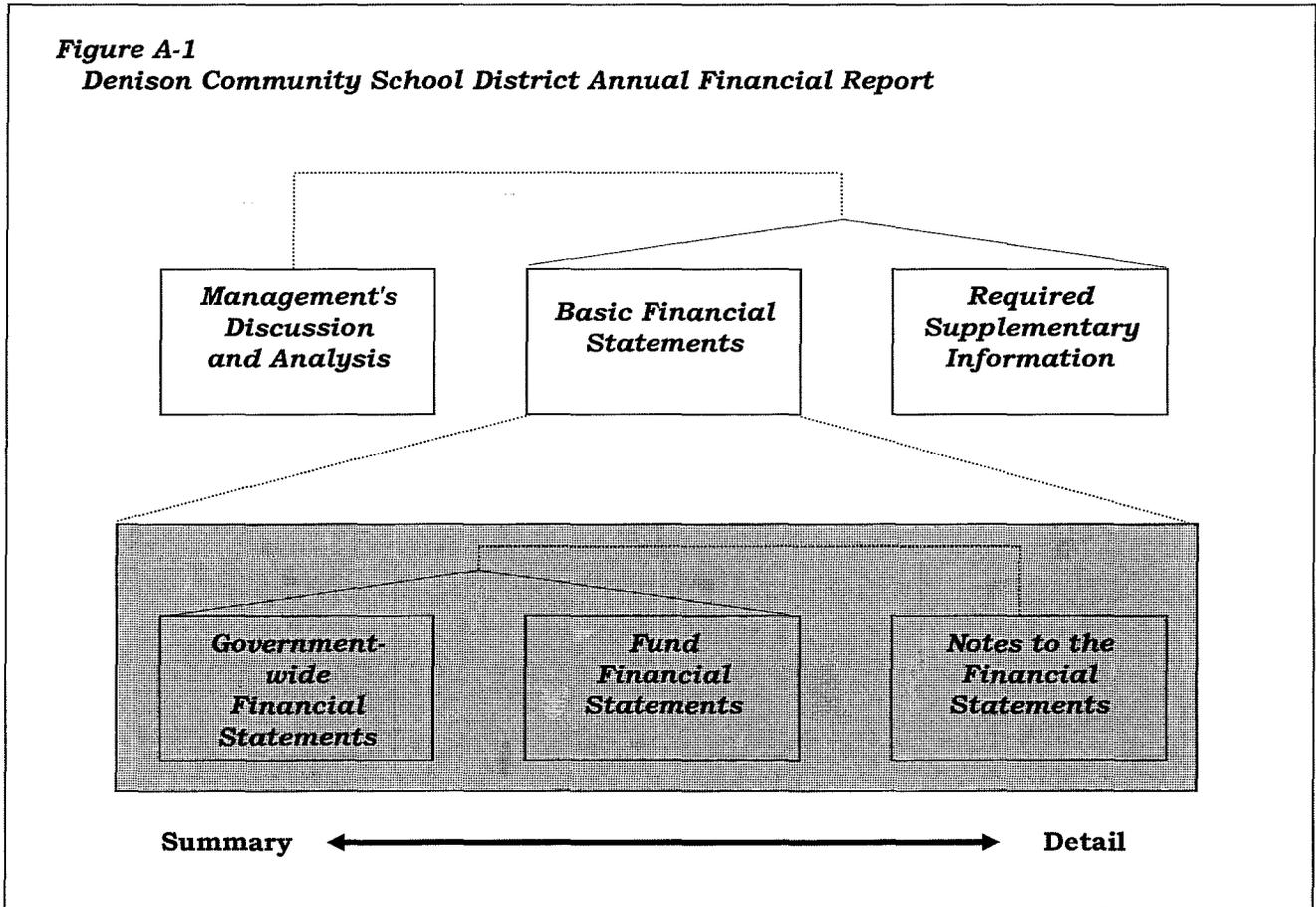


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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.

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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, Capital Projects Fund and Debt Service.

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 at June 30, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 10,671,791	10,485,146	168,939	131,646	10,840,730	10,616,792	2.11%
Capital assets	16,734,015	16,739,940	226,413	230,083	16,960,428	16,970,023	-0.06%
Total assets	27,405,806	27,225,086	395,352	361,729	27,801,158	27,586,815	0.78%
Long-term obligations	7,526,478	8,185,064	493	0	7,526,971	8,185,064	-8.04%
Other liabilities	6,934,869	6,607,510	15,622	13,368	6,950,491	6,620,878	4.98%
Total liabilities	14,461,347	14,792,574	16,115	13,368	14,477,462	14,805,942	-2.22%
Net assets:							
Invested in capital assets, net of related debt	9,539,827	8,839,940	226,413	230,083	9,766,240	9,070,023	7.68%
Restricted	1,855,344	2,090,893	0	0	1,855,344	2,090,893	-11.27%
Unrestricted	1,549,288	1,501,679	152,824	118,278	1,702,112	1,619,957	5.07%
Total net assets	\$ 12,944,459	12,432,512	379,237	348,361	13,323,696	12,780,873	4.25%

The District's combined net assets increased by 4.25%, or \$542,823, 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 11.27%, or \$235,549, over the prior year. This decrease is mainly attributable to the decrease in fund balance in the Capital Projects Fund.

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 – increased \$82,155, or 5.07%. The increase in unrestricted net assets can be attributable to the increase in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,631,938	1,558,622	373,308	331,081	2,005,246	1,889,703	6.11%
Operating grants and contributions and restricted interest	3,364,429	2,622,115	768,301	669,499	4,132,730	3,291,614	25.55%
Capital grants and contributions and restricted interest	0	157,500	0	0	0	157,500	-100.00%
General revenues:							
Property tax	3,625,426	3,500,286	0	0	3,625,426	3,500,286	3.58%
Income surtax	478,905	436,094	0	0	478,905	436,094	9.82%
Statewide sales and services tax	1,041,275	1,023,786	0	0	1,041,275	1,023,786	1.71%
Unrestricted state grants	9,287,324	9,080,850	0	0	9,287,324	9,080,850	2.27%
Other	173,033	553,027	1,079	3,477	174,112	556,504	-68.71%
Transfers	0	(29,572)	0	29,572	0	0	0.00%
<b>Total revenues &amp; transfers</b>	<b>19,602,330</b>	<b>18,902,708</b>	<b>1,142,688</b>	<b>1,033,629</b>	<b>20,745,018</b>	<b>19,936,337</b>	<b>4.06%</b>
Program expenses:							
Governmental activities:							
Instructional	12,083,246	11,212,002	0	0	12,083,246	11,212,002	7.77%
Support services	5,303,055	5,196,093	0	0	5,303,055	5,196,093	2.06%
Non-instructional programs	0	0	1,111,812	1,045,640	1,111,812	1,045,640	6.33%
Other expenses	1,704,082	1,818,480	0	0	1,704,082	1,818,480	-6.29%
<b>Total expenses</b>	<b>19,090,383</b>	<b>18,226,575</b>	<b>1,111,812</b>	<b>1,045,640</b>	<b>20,202,195</b>	<b>19,272,215</b>	<b>4.83%</b>
Changes in net assets	511,947	676,133	30,876	(12,011)	542,823	664,122	-18.26%
Beginning net assets	12,432,512	11,756,379	348,361	360,372	12,780,873	12,116,751	5.48%
Ending net assets	\$ 12,944,459	12,432,512	379,237	348,361	13,323,696	12,780,873	4.25%

In fiscal 2009, property tax, income surtax and unrestricted state grants account for 68.32% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.91% of the revenue from business type activities.

The District's total revenues were approximately \$20.75 million of which \$19.60 million was for governmental activities and slightly less than \$1.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.06% increase in revenues and a 4.83% increase in expenses. Unrestricted state grants increased \$206,474 to fund increases in expenditures. The increase in expenses related to increases in negotiated salary and benefits as well as increases in expenses related to the net OPEB liability.

**Governmental Activities**

Revenues for governmental activities were \$19,602,330 and expenses were \$19,090,383.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 12,083,246	11,212,002	7.77%	7,816,350	7,709,661	1.38%
Support services	5,303,055	5,196,093	2.06%	5,247,371	5,150,516	1.88%
Other expenses	1,704,082	1,818,480	-6.29%	1,030,295	1,028,161	0.21%
Totals	\$ 19,090,383	18,226,575	4.74%	14,094,016	13,888,338	1.48%

- The cost financed by users of the District’s programs was \$1,631,938.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,364,429.
- The net cost of governmental activities was financed with \$3,625,426 in property tax, \$478,905 in income surtax, \$1,041,275 in statewide sales and service tax, \$9,287,324 in state grants, \$69,338 in interest income and \$103,695 in other general revenues.

**Business type Activities**

Revenues of the District’s business type activity were \$1,142,688 and expenses were \$1,111,812. 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 \$3,422,412, below last year’s ending fund balances of \$3,563,863. However, the primary reason for the decrease in combined fund balances is because of the decrease in fund balance 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 and federal source 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 enough to offset the increase in expenditures; the net result was an increase in fund balance from \$1,385,748 in fiscal 2008 to \$1,501,167 in fiscal 2009.
- The Capital Projects fund balance overall decreased from \$1,013,719 in fiscal 2008 to \$743,039 in fiscal 2009. The decrease in fund balance is the result of paying for construction costs associated with Phase I of the elementary remodeling project.

## Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was enough to offset the continued increase in food costs, and salaries and benefits. Overall, net assets increased from \$348,361 at June 30, 2008 to \$379,237 at June 30, 2009, representing an increase of 8.86%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$504,309 less than budgeted revenues, a variance of 2.37%. The most significant variances resulted from the District receiving more in intermediate and federal sources than originally anticipated.

Initially, 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. During the year ended June 30, 2009, expenditures in the non-instructional programs function exceeded the amount budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$16,960,428, 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 decrease of 0.06% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$671,705.

The original cost of the District's capital assets was \$23,682,001. Governmental funds account for \$23,262,754 with the remainder of \$419,247 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$561,939 at June 30, 2008 as compared to \$987,726 at June 30, 2009. This increase is due to Phase I construction costs for the Broadway Elementary Building.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 183,780	183,780	0	0	183,780	183,780	0.00%
Construction in progress	987,726	561,939	0	0	987,726	561,939	75.77%
Buildings	14,320,317	14,662,027	0	0	14,320,317	14,662,027	-2.33%
Land improvements	570,691	617,343	0	0	570,691	617,343	-7.56%
Machinery and equipment	671,501	714,851	226,413	230,083	897,914	944,934	-4.98%
Total	\$ 16,734,015	16,739,940	226,413	230,083	16,960,428	16,970,023	-0.06%

### Long-Term Debt

At June 30, 2009, the District had \$7,526,971 in general obligation, revenue, and other 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.

The District had outstanding General Obligation Bonds of \$4,495,000 at June 30, 2009.

The District had outstanding Revenue Bonds of \$2,740,000 at June 30, 2009.

The District had outstanding Early Retirement benefits of \$162,971 payable from the Special Revenue, Management Fund at June 30, 2009.

The District has a Net OPEB liability of \$129,000 as of June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 4,495,000	4,670,000	0	0	4,495,000	4,670,000	-3.75%
Revenue bonds	2,740,000	3,230,000	0	0	2,740,000	3,230,000	-15.17%
Computer lease	0	79,156	0	0	0	79,156	-100.00%
Early retirement	162,971	205,908	0	0	162,971	205,908	-20.85%
Net OPEB liability	128,507	0	493	0	129,000	0	100.00%
Total	\$ 7,526,478	8,185,064	493	0	7,526,971	8,185,064	-8.04%

## 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:

- For the District's certified enrollment on October 2008, an increase of 59.0 students on line 1 was experienced. This led to the increase in state source revenues received by the District during fiscal 2009.
- During fiscal 2010, the District will be receiving funds from the Harkin grant to help defray costs associated with the continuing construction costs for the Broadway remodeling project.
- 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. The District will continue to be forced to shift funding to property taxes.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

## 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 Scott Larson, Business Manager, Denison Community School District, 819 North 16<sup>th</sup> Street, Denison, Iowa, 51442.

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 1,011,770	0	1,011,770
Other	4,521,047	147,530	4,668,577
Receivables:			
Property tax:			
Delinquent	53,491	0	53,491
Succeeding year	3,836,557	0	3,836,557
Income surtax	400,000	0	400,000
Accounts	30,868	9,666	40,534
Accrued ISCAP interest	125	0	125
Due from other governments	803,746	0	803,746
Inventories	14,187	11,743	25,930
Capital assets, net of accumulated depreciation	16,734,015	226,413	16,960,428
<b>TOTAL ASSETS</b>	<b>27,405,806</b>	<b>395,352</b>	<b>27,801,158</b>
<b>LIABILITIES</b>			
Accounts payable	421,691	10,755	432,446
Salaries and benefits payable	1,452,856	0	1,452,856
ISCAP warrants payable	996,000	0	996,000
ISCAP interest payable	341	0	341
ISCAP unamortized premium	19,281	0	19,281
Accrued interest payable	85,490	0	85,490
Deferred revenue:			
Succeeding year property tax	3,836,557	0	3,836,557
Other	122,653	0	122,653
Unearned revenue	0	4,867	4,867
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	185,000	0	185,000
Revenue bonds payable	505,000	0	505,000
Early retirement payable	50,220	0	50,220
Portion due after one year:			
General obligation bonds payable	4,310,000	0	4,310,000
Revenue bonds payable	2,235,000	0	2,235,000
Early retirement payable	112,751	0	112,751
Net OPEB liability	128,507	493	129,000
<b>TOTAL LIABILITIES</b>	<b>14,461,347</b>	<b>16,115</b>	<b>14,477,462</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,539,827	226,413	9,766,240
Restricted for:			
Categorical funding	97,070	0	97,070
Management levy	25,916	0	25,916
Physical plant and equipment levy	94,430	0	94,430
Capital projects	743,039	0	743,039
Debt service	718,225	0	718,225
Other special revenue purposes	176,664	0	176,664
Unrestricted	1,549,288	152,824	1,702,112
<b>TOTAL NET ASSETS</b>	<b>\$ 12,944,459</b>	<b>379,237</b>	<b>13,323,696</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,090,740	722,624	2,449,055	(3,919,061)	0	(3,919,061)
Special	2,138,948	349,788	195,719	(1,593,441)	0	(1,593,441)
Other	2,853,558	549,710	0	(2,303,848)	0	(2,303,848)
	12,083,246	1,622,122	2,644,774	(7,816,350)	0	(7,816,350)
Support services:						
Student	566,696	0	0	(566,696)	0	(566,696)
Instructional staff	707,766	0	0	(707,766)	0	(707,766)
Administration	1,631,146	0	0	(1,631,146)	0	(1,631,146)
Operation and maintenance of plant	1,605,644	0	0	(1,605,644)	0	(1,605,644)
Transportation	791,803	9,816	45,868	(736,119)	0	(736,119)
	5,303,055	9,816	45,868	(5,247,371)	0	(5,247,371)
Other expenditures:						
Facilities acquisitions	289,006	0	0	(289,006)	0	(289,006)
Long-term debt interest	318,481	0	0	(318,481)	0	(318,481)
AEA flowthrough	673,787	0	673,787	0	0	0
Depreciation (unallocated)*	422,808	0	0	(422,808)	0	(422,808)
	1,704,082	0	673,787	(1,030,295)	0	(1,030,295)
Total governmental activities	19,090,383	1,631,938	3,364,429	(14,094,016)	0	(14,094,016)
Business Type activities:						
Non-instructional programs:						
Nutrition services	1,111,812	373,308	768,301	0	29,797	29,797
Total	\$ 20,202,195	2,005,246	4,132,730	(14,094,016)	29,797	(14,064,219)
<b>General Revenues:</b>						
Local tax for:						
General purposes				\$ 3,168,804	0	3,168,804
Debt service				343,239	0	343,239
Capital outlay				113,383	0	113,383
Income surtax				478,905	0	478,905
Statewide sales and services tax				1,041,275	0	1,041,275
Unrestricted state grants				9,287,324	0	9,287,324
Unrestricted investment earnings				69,338	1,079	70,417
Other				103,695	0	103,695
Total general revenues				14,605,963	1,079	14,607,042
Changes in net assets				511,947	30,876	542,823
Net assets beginning of year				12,432,512	348,361	12,780,873
Net assets end of year				\$ 12,944,459	379,237	13,323,696

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

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
ISCAP	\$ 1,011,770	0	0	0	1,011,770
Other	2,859,230	470,244	713,173	478,400	4,521,047
Receivables:					
Property tax:					
Delinquent	44,442	0	5,052	3,997	53,491
Succeeding year	3,121,703	0	372,672	342,182	3,836,557
Income surtax	400,000	0	0	0	400,000
Accounts	29,490	0	0	1,378	30,868
Accrued ISCAP interest	125	0	0	0	125
Due from other governments	529,951	272,795	0	1,000	803,746
Inventories	14,187	0	0	0	14,187
<b>TOTAL ASSETS</b>	<b>\$ 8,010,898</b>	<b>743,039</b>	<b>1,090,897</b>	<b>826,957</b>	<b>10,671,791</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 396,897	0	0	24,794	421,691
Salaries and benefits payable	1,452,856	0	0	0	1,452,856
ISCAP warrants payable	996,000	0	0	0	996,000
ISCAP interest payable	341	0	0	0	341
ISCAP unamortized premium	19,281	0	0	0	19,281
Deferred revenue:					
Succeeding year property tax	3,121,703	0	372,672	342,182	3,836,557
Income surtax	400,000	0	0	0	400,000
Other	122,653	0	0	0	122,653
<b>Total liabilities</b>	<b>6,509,731</b>	<b>0</b>	<b>372,672</b>	<b>366,976</b>	<b>7,249,379</b>
Fund balances:					
Reserved for:					
Construction	0	40,812	0	0	40,812
Debt service	0	0	718,225	0	718,225
Categorical funding	97,070	0	0	0	97,070
Inventories	14,187	0	0	0	14,187
Unreserved	1,389,910	702,227	0	459,981	2,552,118
<b>Total fund balances</b>	<b>1,501,167</b>	<b>743,039</b>	<b>718,225</b>	<b>459,981</b>	<b>3,422,412</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,010,898</b>	<b>743,039</b>	<b>1,090,897</b>	<b>826,957</b>	<b>10,671,791</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	3,422,412
 <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 reported as assets in in the governmental funds.		16,734,015
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		400,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(85,490)
Long-term liabilities, including general obligation bonds, revenue bonds, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(7,526,478)
		<hr/>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b>12,944,459</b>
		<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,512,899	1,041,275	343,239	262,618	5,160,031
Tuition	1,048,663	0	0	0	1,048,663
Other	155,106	5,840	8,873	584,650	754,469
Intermediate sources	70,023	0	0	0	70,023
State sources	11,218,677	0	252	182	11,219,111
Federal sources	1,362,619	0	0	0	1,362,619
Total revenues	17,367,987	1,047,115	352,364	847,450	19,614,916
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	7,003,847	0	0	50,180	7,054,027
Special	2,116,784	0	0	0	2,116,784
Other	2,284,595	0	0	571,169	2,855,764
	11,405,226	0	0	621,349	12,026,575
Support services:					
Student	561,680	0	0	0	561,680
Instructional staff	705,866	0	0	0	705,866
Administration	1,608,991	0	0	2,946	1,611,937
Operation and maintenance of plant	1,493,775	49,288	0	79,073	1,622,136
Transportation	717,852	0	0	11,335	729,187
	5,088,164	49,288	0	93,354	5,230,806
Other expenditures:					
Facilities acquisitions	0	661,140	0	88,099	749,239
Long-term debt:					
Principal	0	0	744,156	0	744,156
Interest and fiscal charges	0	0	333,643	0	333,643
AEA flowthrough	673,787	0	0	0	673,787
	673,787	661,140	1,077,799	88,099	2,500,825
TOTAL EXPENDITURES	17,167,177	710,428	1,077,799	802,802	19,758,206
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	200,810	336,687	(725,435)	44,648	(143,290)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in	0	1,870	694,597	0	696,467
Transfer out	(87,230)	(609,237)	0	0	(696,467)
Sale of equipment	1,839	0	0	0	1,839
TOTAL OTHER FINANCING SOURCES (USES)	(85,391)	(607,367)	694,597	0	1,839
NET CHANGE IN FUND BALANCES	115,419	(270,680)	(30,838)	44,648	(141,451)
FUND BALANCE BEGINNING OF YEAR	1,385,748	1,013,719	749,063	415,333	3,563,863
FUND BALANCE END OF YEAR	\$ 1,501,167	743,039	718,225	459,981	3,422,412

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, 2009

Net change in fund balances - total governmental funds (page 17) \$ (141,451)

*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 were exceeded by depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 637,400	
Depreciation expense	(643,325)	(5,925)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	744,156
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

15,162

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

(14,425)

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	42,937	
Other postemployment benefits	(128,507)	(85,570)

Changes in net assets of governmental activities (page 14) \$ 511,947

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 147,530
Accounts receivable	9,666
Inventories	11,743
Capital assets, net of accumulated depreciation	226,413
TOTAL ASSETS	<u>395,352</u>
LIABILITIES	
Accounts payable	10,755
Unearned revenue	4,867
Net OPEB liability	493
TOTAL LIABILITIES	<u>16,115</u>
NET ASSETS	
Invested in capital assets	226,413
Unrestricted	152,824
TOTAL NET ASSETS	<u>\$ 379,237</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, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 373,308
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	388,180
Benefits	58,871
Services	10,889
Supplies	625,492
Depreciation	28,380
TOTAL OPERATING EXPENSES	1,111,812
OPERATING LOSS	(738,504)
NON-OPERATING REVENUES:	
Interest	1,079
State sources	12,710
Federal sources	755,591
TOTAL NON-OPERATING REVENUES	769,380
CHANGE IN NET ASSETS	30,876
NET ASSETS BEGINNING OF YEAR	348,361
NET ASSETS END OF YEAR	\$ 379,237

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 377,824
Cash received from miscellaneous operating activities	2,622
Cash payments to employees for services	(450,297)
Cash payments to suppliers for goods or services	(570,640)
Net cash used in operating activities	(640,491)
Cash flows from non-capital financing activities:	
State grants received	12,710
Federal grants received	698,718
Net cash provided by non-capital financing activities	711,428
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(24,710)
Cash flows from investing activities:	
Interest on investments	1,079
Net increase in cash and cash equivalents	47,306
Cash and cash equivalents at beginning of year	100,224
Cash and cash equivalents at end of year	\$ 147,530
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (738,504)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	56,873
Depreciation	28,380
Decrease in inventories	1,691
Decrease in accounts receivable	8,322
Increase in accounts payable	7,177
Decrease in salaries and benefits payable	(3,739)
Decrease in unearned revenue	(1,184)
Increase in other postemployment benefits	493
Net cash used in operating activities	\$ (640,491)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 147,530
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$56,873.	

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 53,324	31,965
Accounts receivable	0	11
TOTAL ASSETS	<u>53,324</u>	<u>31,976</u>
LIABILITIES		
Accounts payable	0	21,649
Due to other groups	0	10,327
TOTAL LIABILITIES	<u>0</u>	<u>31,976</u>
NET ASSETS		
Restricted for scholarships	40,785	0
Unrestricted	12,539	0
TOTAL NET ASSETS	<u>\$ 53,324</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest	\$ 1,576
Contributions	21,114
TOTAL ADDITIONS	22,690
DEDUCTIONS:	
Instruction:	
Other:	
Scholarships awarded	1,600
CHANGE IN NET ASSETS	21,090
NET ASSETS BEGINNING OF YEAR	32,234
NET ASSETS END OF YEAR	\$ 53,324

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**(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 and Deloit, Iowa, and the predominate agricultural territory of Crawford County and a small portion of rural Ida 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, 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ida and Crawford County Assessors' 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 non-fiduciary 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's also reports one major proprietary fund which is 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 held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 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.

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

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

Fund Balances - 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. During the year ended June 30, 2009 expenditures in the non-instructional programs functional area exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 319,350</u>

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects Statewide Sales Tax	\$ 607,367
Debt Service	General Fund	87,230
Capital Projects Statewide Sales Tax	Capital Projects Building Projects	<u>1,870</u>
Total		<u>\$ 696,467</u>

The Capital Projects, Statewide Sales Tax transfer to Debt Service was needed for principal and interest payments on the District's bonded indebtedness.

The General Fund transfer to Debt Service was needed to pay remaining principal and interest payments on the District's Apple computer lease agreement.

The Capital Projects, Building Projects transfer to the Capital Projects, Statewide Sales Tax was needed to reimburse expenditures paid from the incorrect account.

**(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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/2009	6/23/2010	\$ 1,011,770	125	996,000	341

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, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008/09A	\$ 0	250,000	250,000	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
2008-09A	3.500%	3.469%
2009-10A	2.500%	0.902%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,780	0	0	183,780
Construction in progress	561,939	425,787	0	987,726
Total capital assets not being depreciated	745,719	425,787	0	1,171,506
Capital assets being depreciated:				
Buildings	19,017,628	34,446	0	19,052,074
Land improvements	953,428	0	0	953,428
Machinery and equipment	1,961,079	177,167	52,500	2,085,746
Total capital assets being depreciated	21,932,135	211,613	52,500	22,091,248
Less accumulated depreciation for:				
Buildings	4,355,601	376,156	0	4,731,757
Land improvements	336,085	46,652	0	382,737
Machinery and equipment	1,246,228	220,517	52,500	1,414,245
Total accumulated depreciation	5,937,914	643,325	52,500	6,528,739
Total capital assets being depreciated, net	15,994,221	(431,712)	0	15,562,509
Governmental activities capital assets, net	\$ 16,739,940	(5,925)	0	16,734,015

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 394,537	24,710	0	419,247
Less accumulated depreciation	164,454	28,380	0	192,834
Business type activities capital assets, net	<u>\$ 230,083</u>	<u>(3,670)</u>	<u>0</u>	<u>226,413</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,591
Other		16,799
Support services:		
Instructional staff		480
Administration		13,824
Operation and maintenance		31,769
Transportation		152,054
		<u>220,517</u>
Unallocated depreciation		422,808
		<u>643,325</u>
Total governmental activities depreciation expense		\$ 643,325
Business type activities:		
Food services		<u>\$ 28,380</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 3,230,000	0	490,000	2,740,000	505,000
General Obligation Bonds	4,670,000	0	175,000	4,495,000	185,000
Computer Lease	79,156	0	79,156	0	0
Early Retirement	205,908	6,750	49,687	162,971	50,220
Net OPEB liability	0	128,507	0	128,507	0
Total	<u>\$ 8,185,064</u>	<u>135,257</u>	<u>793,843</u>	<u>7,526,478</u>	<u>740,220</u>
Business type activities:					
Net OPEB liability	\$ 0	493	0	493	0

#### Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Principal	Interest	Total
2010	3.80	\$ 505,000	108,590	613,590
2011	4.00	525,000	89,400	614,400
2012	4.00	545,000	68,400	613,400
2013	4.00	570,000	46,600	616,600
2014	4.00	595,000	23,800	618,800
Total		<u>\$ 2,740,000</u>	<u>336,790</u>	<u>3,076,790</u>

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$3,230,000 bonds issued May 1, 2006. The bonds were issued for the purpose of defraying a portion of the cost of building the new middle school. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,076,790. For the current year \$616,965 in principal and interest was paid on the bonds and total local option (statewide) sales and services tax revenues were \$1,041,275.

The resolution providing for the issuance of the local option (statewide) sales and services tax revenue bonds includes the following provisions:

- a) \$400,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Principal	Interest	Total
2010	4.25 %	\$ 185,000	187,172	372,172
2011	4.25	195,000	179,308	374,308
2012	4.25	200,000	171,022	371,022
2013	4.25	210,000	162,522	372,522
2014	4.25	220,000	153,596	373,596
2015-2019	3.85-5.00	1,250,000	614,440	1,864,440
2020-2024	4.00-4.13	1,530,000	338,558	1,868,558
2025-2026	4.13	705,000	43,932	748,932
Total		\$ 4,495,000	1,850,550	6,345,550

## 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 \$100 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, 2009, totaled \$49,687. 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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$720,921, \$649,202 and \$560,800 respectively, equal to the required contributions for each year.

### **(8) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 177 active and 20 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 186,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>186,000</u>
Contributions made	<u>(57,000)</u>
Increase in net OPEB obligation	129,000
Net OPEB obligation - beginning of year	<u>0</u>
 Net OPEB obligation - end of year	 <u><u>\$ 129,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For fiscal year 2009, the District contributed \$57,000 to the medical plan. Plan members receiving benefits contributed \$129,000, or 69% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 186,000	30.65%	\$ 129,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.810 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.810 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.691 million, and the ratio of the UAAL to the covered payroll was 18.7%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are

made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced by a percentage each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$601 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) 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. District contributions to ISEBA for the year ended June 30, 2009 were \$1,235,288.

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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$673,787 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 21,312
Talented and gifted	20,353
Salary improvement program	2,769
Market factor	1,630
Non-public textbook services	527
Destination graduation	3,186
Model core curriculum	25,633
Professional development	9,470
Market factor incentives	12,190
Total	<u>\$ 97,070</u>

**(12) Construction Commitment**

The District has entered into various contracts for renovations at Broadway Elementary School. As of June 30, 2009, costs of \$987,726 had been incurred against the contracts. Upon completion of the project, construction costs will be added to the District's fixed asset listing.

**(13) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed the certified budget amounts. During the year ended June 30, 2009 expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 6,963,163	374,387	7,337,550	8,067,310	8,067,310	(729,760)
Intermediate sources	70,023	0	70,023	0	0	70,023
State sources	11,219,111	12,710	11,231,821	11,512,603	11,512,603	(280,782)
Federal sources	1,362,619	755,591	2,118,210	1,682,000	1,682,000	436,210
Total revenues	19,614,916	1,142,688	20,757,604	21,261,913	21,261,913	(504,309)
<b>Expenditures/Expenses:</b>						
Instruction	12,026,575	0	12,026,575	12,257,000	12,257,000	230,425
Support services	5,230,806	0	5,230,806	5,595,000	5,595,000	364,194
Non-instructional programs	0	1,111,812	1,111,812	1,100,000	1,100,000	(11,812)
Other expenditures	2,500,825	0	2,500,825	3,382,100	3,382,100	881,275
Total expenditures/expenses	19,758,206	1,111,812	20,870,018	22,334,100	22,334,100	1,464,082
Excess(Deficiency) of revenues over(under) expenditures/expenses	(143,290)	30,876	(112,414)	(1,072,187)	(1,072,187)	959,773
Other financing sources, net	1,839	0	1,839	5,000	5,000	(3,161)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(141,451)	30,876	(110,575)	(1,067,187)	(1,067,187)	956,612
Balance beginning of year	3,563,863	348,361	3,912,224	4,150,151	4,150,151	(237,927)
Balance end of year	\$ 3,422,412	379,237	3,801,649	3,082,964	3,082,964	718,685

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, District expenditures in the non-instructional programs function exceeded the budgeted amount.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$1,810	\$1,810	0.0%	\$9,691	18.7%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 186,691	184,043	107,666	478,400
Receivables:				
Property tax:				
Current year delinquent	2,196	0	1,801	3,997
Succeeding year	250,000	0	92,182	342,182
Accounts	0	1,378	0	1,378
Due from other governments	0	1,000	0	1,000
<b>TOTAL ASSETS</b>	<b>\$ 438,887</b>	<b>186,421</b>	<b>201,649</b>	<b>826,957</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 0	9,757	15,037	24,794
Deferred revenue:				
Succeeding year property tax	250,000	0	92,182	342,182
Total liabilities	250,000	9,757	107,219	366,976
Unreserved fund balances	188,887	176,664	94,430	459,981
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 438,887</b>	<b>186,421</b>	<b>201,649</b>	<b>826,957</b>

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, 2009

	Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds
REVENUES:				
Local sources:				
Local tax	\$ 149,235	0	113,383	262,618
Other	30,878	552,520	1,252	584,650
State sources	110	0	72	182
TOTAL REVENUES	180,223	552,520	114,707	847,450
EXPENDITURES:				
Current:				
Instruction:				
Regular	50,180	0	0	50,180
Other	0	571,169	0	571,169
Support services:				
Administration	2,946	0	0	2,946
Operation and maintenance of plant	53,282	0	25,791	79,073
Transportation	11,335	0	0	11,335
Other expenditures:				
Facilities acquisition	0	0	88,099	88,099
TOTAL EXPENDITURES	117,743	571,169	113,890	802,802
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,480	(18,649)	817	44,648
FUND BALANCE BEGINNING OF YEAR	126,407	195,313	93,613	415,333
FUND BALANCE END OF YEAR	\$ 188,887	176,664	94,430	459,981

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 6,331	2,154	2,519	5,966
Musical	3,636	56	46	3,646
Drama rental	360	4	0	364
Vocal	323	14,296	13,003	1,616
Band	2,596	50,536	51,119	2,013
MS band	1,021	5,433	3,759	2,695
Athletics	40,364	99,375	108,930	30,809
MS athletics	466	10,193	10,659	0
Cross country	3,959	2,095	3,175	2,879
Art club	1,008	698	668	1,038
Baseball club	9,625	19,305	26,278	2,652
Basketball club	6,652	7,931	10,251	4,332
Football club	704	1,215	1,484	435
World language club	324	4	0	328
Boys golf club	2,195	2,623	3,256	1,562
Girl golf club	68	2,491	1,489	1,070
Health career club	2,997	128	953	2,172
Industrial arts club	597	28	0	625
Softball club	629	4,109	4,445	293
Boys tennis club	325	4	0	329
Girls tennis club	294	1,898	976	1,216
Track club	237	578	380	435
Volleyball club	2,162	9,700	9,330	2,532
Wrestling club	2,131	2,335	2,163	2,303
Boys soccer	0	2,266	1,861	405
Fitness center	448	8,348	8,546	250
Girls soccer	5,314	1,025	2,175	4,164
National honor society	238	225	73	390
Do something club	277	0	0	277
Multi-cultural club	308	0	0	308
Activity ticket	(200)	10,125	9,779	146
Academic decathlon	1,161	345	1,061	445
Armory pop fund	3,327	517	3,844	0
Girls basketball camp	2,158	8,792	8,618	2,332
Business 2000	622	586	0	1,208
Change	(80)	1,225	1,145	0

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cheerleaders	1,168	4,998	6,166	0
Concessions	1,353	44,914	46,267	0
Elementary activity	25,085	45,098	50,135	20,048
FCA	322	916	980	258
FFA	17,450	42,046	40,784	18,712
Bowling club	1,009	561	967	603
Forensics	4,650	290	1,783	3,157
HS faculty pop	(215)	215	0	0
Insufficient checks	(956)	1,302	1,167	(821)
FCCLA	3,066	2,384	2,782	2,668
Interest	0	2,810	2,810	0
MS activity	13,722	39,999	42,121	11,600
Destin. Imagin.	1,719	1,608	701	2,626
HS pop fund	(229)	13,167	12,938	0
Students assist	(211)	220	2,807	(2,798)
Wr cheerleaders	66	111	177	0
Student ambassador	4,911	6,845	2,697	9,059
Student senate	9,597	18,608	11,921	16,284
Yearbook	1,844	1,550	1,888	1,506
Girls track	585	506	1,091	0
Elementary	248	14,180	14,428	0
Middle school	453	453	906	0
High school	840	28	87	781
Purple Pride	1,504	1,352	1,931	925
MS concessions	1,861	8,367	9,168	1,060
Peer mediation	193	0	0	193
Java den	550	28	0	578
Elementary mentor	1,321	28	0	1,349
Community service	88	0	0	88
Broadway elementary	0	20,540	13,574	6,966
Padlock	80	0	80	0
Class of 09	662	4,725	5,387	0
Class of 10	0	4,028	3,441	587
Total	\$ 195,313	552,520	571,169	176,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND  
 JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales Tax	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 40,812	429,432	470,244
Due from other governments	0	272,795	272,795
<b>TOTAL ASSETS</b>	<b>\$ 40,812</b>	<b>702,227</b>	<b>743,039</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:	\$ 0	0	0
Fund balances:			
Reserved for construction	40,812	0	40,812
Unreserved	0	702,227	702,227
Total fund balances	40,812	702,227	743,039
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 40,812</b>	<b>702,227</b>	<b>743,039</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	1,041,275	1,041,275
Other	1,211	4,629	5,840
TOTAL REVENUES	1,211	1,045,904	1,047,115
EXPENDITURES:			
Current:			
Support services:			
Operation and maintenance of plant	0	49,288	49,288
Other expenditures:			
Facilities acquisitions	29,535	631,605	661,140
TOTAL EXPENDITURES	29,535	680,893	710,428
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(28,324)	365,011	336,687
OTHER FINANCING SOURCES(USES):			
Transfer in	0	1,870	1,870
Transfer out	(1,870)	(607,367)	(609,237)
TOTAL OTHER FINANCING SOURCES(USES)	(1,870)	(605,497)	(607,367)
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES(USES)	(30,194)	(240,486)	(270,680)
FUND BALANCE BEGINNING OF YEAR	71,006	942,713	1,013,719
FUND BALANCE END OF YEAR	\$ 40,812	702,227	743,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund					
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 19,785	164	250	12,616	20,509	53,324
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Restricted for scholarships	8,785	0	0	12,000	20,000	40,785
Unrestricted	11,000	164	250	616	509	12,539
TOTAL NET ASSETS	\$ 19,785	164	250	12,616	20,509	53,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund					
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ADDITIONS:						
Local sources:						
Interest	\$ 1,067	0	0	0	509	1,576
Contributions	1,000	0	0	114	20,000	21,114
TOTAL ADDITIONS	<u>2,067</u>	<u>0</u>	<u>0</u>	<u>114</u>	<u>20,509</u>	<u>22,690</u>
DEDUCTIONS:						
Instruction:						
Other:						
Scholarships awarded	1,000	0	0	600	0	1,600
CHANGES IN NET ASSETS	1,067	0	0	(486)	20,509	21,090
NET ASSETS BEGINNING OF YEAR	18,718	164	250	13,102	0	32,234
NET ASSETS END OF YEAR	<u>\$ 19,785</u>	<u>164</u>	<u>250</u>	<u>12,616</u>	<u>20,509</u>	<u>53,324</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 22,561	105,177	95,773	31,965
Accounts receivable	194	11	194	11
<b>TOTAL ASSETS</b>	<b>\$ 22,755</b>	<b>105,188</b>	<b>95,967</b>	<b>31,976</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 591	21,649	591	21,649
Due to other groups	22,164	83,539	95,376	10,327
<b>TOTAL LIABILITIES</b>	<b>\$ 22,755</b>	<b>105,188</b>	<b>95,967</b>	<b>31,976</b>

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 5,160,031	4,960,166	4,762,011	4,242,492	4,188,725	3,647,468
Tuition	1,048,663	1,051,805	1,089,459	949,792	970,408	1,176,857
Other	754,469	1,067,344	1,302,002	1,111,703	881,057	620,216
Intermediate sources	70,023	9,591	0	1,495	1,500	3,400
State sources	11,219,111	10,694,202	10,072,320	9,484,543	8,598,370	7,616,970
Federal sources	1,362,619	1,149,172	1,472,722	1,132,611	1,439,305	910,323
<b>Total</b>	<b>\$ 19,614,916</b>	<b>18,932,280</b>	<b>18,698,514</b>	<b>16,922,636</b>	<b>16,079,365</b>	<b>13,975,234</b>
Expenditures:						
Instruction:						
Regular	\$ 7,054,027	6,720,642	5,746,997	5,737,369	5,517,950	5,312,309
Special	2,116,784	2,049,794	1,797,185	1,876,874	2,271,519	1,742,179
Other	2,855,764	2,480,169	2,935,405	2,494,860	1,936,036	2,294,602
Support services:						
Student	561,680	578,550	497,592	499,623	434,464	410,391
Instructional staff	705,866	864,107	596,334	502,824	365,182	359,976
Administration	1,611,937	1,483,141	1,407,915	1,427,585	1,266,606	1,159,764
Operation and maintenance of plant	1,622,136	1,650,339	1,387,985	1,299,206	1,341,401	1,221,855
Transportation	729,187	823,859	730,200	706,862	671,070	687,517
Other support	0	0	0	0	0	16,244
Non-instructional programs	0	0	0	0	1,978	0
Other expenditures:						
Facilities acquisitions	749,239	4,012,528	6,584,913	1,564,374	970,744	201,172
Long-term debt:						
Principal	744,156	683,615	460,000	0	0	0
Interest and other charges	333,643	350,465	315,641	97	0	0
AEA flow-through	673,787	632,819	600,363	573,992	533,042	499,208
<b>Total</b>	<b>\$ 19,758,206</b>	<b>22,330,028</b>	<b>23,060,530</b>	<b>16,683,666</b>	<b>15,309,992</b>	<b>13,905,217</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 136,008
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	592,320
			<u>728,328</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 09	<u>27,263</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	405,571
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	4,196
			<u>409,767</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	1701-M	<u>230,154</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>22,049</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>9,012</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 09	<u>10,687</u>
READING FIRST STATE GRANTS	84.357	FY 09	<u>180,400</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 07	2,237
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 09	24,204
			<u>26,441</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>157,456</u>

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 136,008
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	592,320
			<u>728,328</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 09	<u>27,263</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	1701-G	405,571
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	1701-GC	4,196
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.011	1701-M	230,154
			<u>639,921</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 09	<u>22,049</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 09	<u>9,012</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)			
	84.334	FY 09	<u>10,687</u>
READING FIRST STATE GRANTS			
	84.357	FY 09	<u>180,400</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)			
	84.365	FY 07	2,237
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)			
	84.365	FY 09	24,204
			<u>26,441</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 09	<u>157,456</u>

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>78,654</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 09	<u>12,396</u>
AREA EDUCATION AGENCY: IOWA DEPARTMENT OF EDUCATION: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	<u>115,071</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 09	<u>29,884</u>
TOTAL			<u>\$ 2,037,562</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 50208-3050

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Denison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Denison Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Denison Community School District's financial statements that is more than inconsequential will not be prevented or detected by Denison Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Denison Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 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 and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Denison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Denison Community School District's responses and, accordingly, we express no opinion on them.

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, 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 29, 2010

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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 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, 2009. 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 grant 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Denison Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Denison Community School District's responses and, accordingly, we express no opinion on them.

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, 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2010

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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 non-compliance which is material to the financial statements.
- (d) A significant deficiency 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 programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$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, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 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-09 Grant Coding - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District is working to be more careful with the coding of bills. In regards to specific grants or projects the District is striving towards having accountability by matching revenues with expenditures. A spreadsheet document has been created that will help track the use of grant funds.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2009  
Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2009  
Department of Education  
Passed through the Iowa Department of Education

III-A-09 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.

III-B-09 Grant Coding - We noted during our audit, when expenditures for specific projects were posted; it appeared expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching revenues to the expenditures.

Response - The District is working to be more careful with the coding of bills. In regards to specific grants or projects the District is striving towards having accountability by matching revenues with expenditures. A spreadsheet document has been created that will help track the use of grant funds.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the budgeted amount in the non-instructional programs functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks from the Student Activity Fund that were subsequently cashed to buy gift cards/gift certificates or to give cash to students as incentive prizes for fundraiser sales. Sales incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has reviewed its procedures and a memo has been shared with administrators referencing the fact that student activity funds will not be used to buy gift cards/certificates to give to students as incentive prizes.

Conclusion - Response accepted.

IV-C-09 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.

The District has policy 401.06 in effect for employee travel compensation. The policy states that employees traveling outside the district conducting district business will be reimbursed for actual and necessary pre-approved travel expenses. If the employee does not provide the District with detailed receipts, the expenses would become personal expenses not reimbursed by the district.

However, during our audit, we noted instances of employees being reimbursed by the district for meal and hotel expenses without providing detailed receipts.

Recommendation - The District should review policy 401.06 and require that all employees seeking reimbursement provide the district with detailed receipts. If a receipt is not available, the employee should provide the district with written documentation of the amount and nature of the expense before seeking reimbursement.

Response - The District has reviewed policy 401.06. It has been emphasized with building administrators and their respective staffs that all employees seeking reimbursement must provide the District with detailed receipts. If a receipt is not available, the employee needs to provide the District with written documentation of the amount and nature of the expense before seeking reimbursement.

Conclusion - Response accepted.

IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was overstated by one student.

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

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

Conclusion - Response accepted.

IV-H-09 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-I-09 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-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			1,041,275
Interest on investments			4,629
Total revenues			1,045,904
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	389,249	
Equipment		49,288	
Debt service for school infrastructure:			
Revenue debt		607,367	1,045,904
Ending balance		\$	0

IV-L-09 Financial Condition - During our audit we noted that the District had two negative account balances in the Student Activity Fund totaling \$3,619.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

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

Conclusion - Response accepted.