

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

JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Student Activity Accounts	3	50-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Fund	4	52
Combining Statement of Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	53
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	6	54
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	7	55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	8	56
Schedule of Expenditures of Federal Awards	9	57-58
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>		59-60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		61-62
Schedule of Findings and Questioned Costs		63-68

Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Rod Bradley	President	2009
Brenda Martens	Vice President	2009
Les Lewis	Board Member	2009
Kris Rowedder	Board Member	2011
Mark Johnson	Board Member	2011
Board of Education (After September 2009 Election)		
Rod Bradley	President	2013
Kris Rowedder	Vice President	2011
Larry Anderson	Board Member	2013
Les Lewis	Board Member	2013
Mark Johnson	Board Member	2011
School Officials		
Mike Pardun	Superintendent	2010
Scott Larson	Business Manager	2010
Ruth Frazier	District Secretary	2010
Terry Prickett	District Treasurer	2010
Mundt, Franck and Schumacher	Attorney	2010

Denison Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2010, 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, 2010, 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 28, 2011 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 7 through 16 and 44 through 46 are not required parts of the

Members American Institute & Iowa Society of Certified Public Accountants

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 five years ended June 30, 2009 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 9, 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 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Denison Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,369,826 in fiscal 2009 to \$17,706,189 in fiscal 2010, while General Fund expenditures increased from \$17,254,407 in fiscal 2009 to \$17,605,536 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$1,501,167 in fiscal 2009 to a balance of \$1,590, 491 in fiscal 2010, which is a 5.95% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in federal sources in fiscal 2010. 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 as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was 8.00% as compared to 6.99% at June 30, 2010. 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.

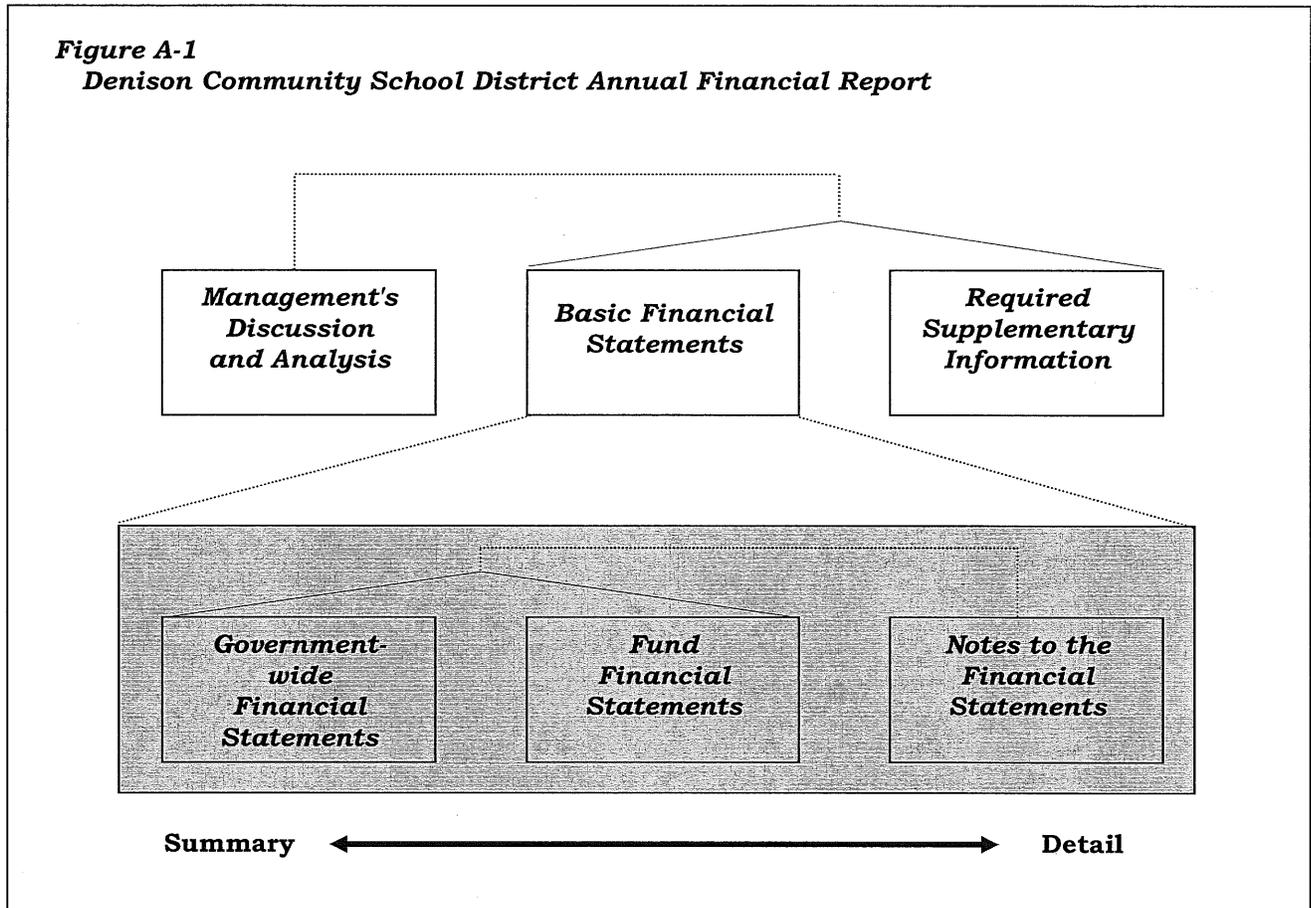


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, 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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 9,920,512	10,671,791	272,564	168,939	10,193,076	10,840,730	-5.97%
Capital assets	16,811,779	16,734,015	252,878	226,413	17,064,657	16,960,428	0.61%
Total assets	26,732,291	27,405,806	525,442	395,352	27,257,733	27,801,158	-1.95%
Long-term obligations	7,099,111	7,526,478	960	493	7,100,071	7,526,971	-5.67%
Other liabilities	6,125,199	6,934,869	8,683	15,622	6,133,882	6,950,491	-11.75%
Total liabilities	13,224,310	14,461,347	9,643	16,115	13,233,953	14,477,462	-8.59%
Net assets:							
Invested in capital assets, net of related debt	10,266,779	9,539,827	252,878	226,413	10,519,657	9,766,240	7.71%
Restricted	1,992,253	1,855,344	0	0	1,992,253	1,855,344	7.38%
Unrestricted	1,248,949	1,549,288	262,921	152,824	1,511,870	1,702,112	-11.18%
Total net assets	\$ 13,507,981	12,944,459	515,799	379,237	14,023,780	13,323,696	5.25%

The District's combined net assets increased by 5.25%, or \$700,084, 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 increased 7.38%, or \$136,909, over the prior year. This increase is mainly attributable to the increase in carryover balances for state categorical funding.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$190,242, or 11.18%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,491,986	1,631,938	376,466	373,308	1,868,452	2,005,246	-6.82%
Operating grants and contributions and restricted interest	4,483,677	3,364,429	843,911	768,301	5,327,588	4,132,730	28.91%
Capital grants and contributions and restricted interest	97,348	0	24,577	0	121,925	0	100.00%
General revenues:							
Property tax	3,822,114	3,625,426	0	0	3,822,114	3,625,426	5.43%
Income surtax	539,511	478,905	0	0	539,511	478,905	12.66%
Statewide sales, services and use tax	1,171,129	1,041,275	0	0	1,171,129	1,041,275	12.47%
Unrestricted state grants	8,396,013	9,287,324	0	0	8,396,013	9,287,324	-9.60%
Other	150,680	173,033	5,211	1,079	155,891	174,112	-10.47%
Transfers	(10,308)	0	10,308	0	0	0	0.00%
Total revenues & transfers	20,142,150	19,602,330	1,260,473	1,142,688	21,402,623	20,745,018	3.17%
Program expenses:							
Governmental activities:							
Instructional	12,751,007	12,083,246	0	0	12,751,007	12,083,246	5.53%
Support services	5,241,126	5,303,055	0	0	5,241,126	5,303,055	-1.17%
Non-instructional programs	0	0	1,123,911	1,111,812	1,123,911	1,111,812	1.09%
Other expenses	1,586,495	1,704,082	0	0	1,586,495	1,704,082	-6.90%
Total expenses	19,578,628	19,090,383	1,123,911	1,111,812	20,702,539	20,202,195	2.48%
Changes in net assets	563,522	511,947	136,562	30,876	700,084	542,823	28.97%
Beginning net assets	12,944,459	12,432,512	379,237	348,361	13,323,696	12,780,873	4.25%
Ending net assets	\$ 13,507,981	12,944,459	515,799	379,237	14,023,780	13,323,696	5.25%

In fiscal 2010, property tax, income surtax and unrestricted state grants account for 63.34% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.82% of the revenue from business type activities.

The District's total revenues were approximately \$21.40 million of which \$20.14 million was for governmental activities and approximately \$1.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.17% increase in revenues and a 2.48% increase in expenses. Property tax increased \$196,688 and statewide sales, services and use tax increased \$129,854 to fund increases in expenditures. The increase in expenses related to increases in negotiated salary and benefits as well as increases in expenses related construction of a new bus barn and renovations to the Broadway Elementary building.

Governmental Activities

Revenues for governmental activities were \$20,142,150 and expenses were \$19,578,628.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 12,751,007	12,083,246	5.53%	8,623,953	7,816,350	10.33%
Support services	5,241,126	5,303,055	-1.17%	4,173,201	5,247,371	-20.47%
Other expenses	1,586,495	1,704,082	-6.90%	708,463	1,030,295	-31.24%
Totals	\$ 19,578,628	19,090,383	2.56%	13,505,617	14,094,016	-4.17%

- The cost financed by users of the District's programs was \$1,491,986.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,581,025.
- The net cost of governmental activities was financed with \$3,822,114 in property tax, \$539,511 in income surtax, \$1,171,129 in statewide sales, services and use tax, \$8,396,013 in state grants, \$27,297 in interest income and \$123,383 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$1,260,473 and expenses were \$1,123,911. 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 \$3,440,623, above last year's ending fund balances of \$3,422,412. However, the primary reason for the increase in combined fund balances is because of the increase in fund balance in the Debt Service and General Funds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in 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 \$1,501,167 in fiscal 2009 to \$1,590,491 in fiscal 2010.
- The Debt Service Fund balance overall increased from \$718,225 in fiscal 2009 to \$757,353 in fiscal 2010. The increase in fund balance is the result of closing out the account in the Capital Projects Fund that was the general obligation bond proceeds to the Debt Service fund now that construction of the new middle school has been completed.

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 \$379,237 at June 30, 2009 to \$515,799 at June 30, 2010, representing an increase of 36.01%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$780,492 less than budgeted revenues, a variance of 3.52%. The most significant variances resulted from the District receiving less in state sources than what was 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, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$17,064,657, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.61% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$674,619.

The original cost of the District's capital assets was \$24,422,404. Governmental funds account for \$23,942,915 with the remainder of \$479,489 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 \$987,726 at June 30, 2009 as compared to \$1,325,072 at June 30, 2010. This increase is due to the beginning of Phase II construction costs for the Broadway Elementary Building as well as the construction of a new bus barn.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 183,780	183,780	0	0	183,780	183,780	0.00%
Construction in progress	1,325,072	987,726	0	0	1,325,072	987,726	34.15%
Buildings	13,955,841	14,320,317	0	0	13,955,841	14,320,317	-2.55%
Land improvements	755,275	570,691	0	0	755,275	570,691	32.34%
Machinery and equipment	591,811	671,501	252,878	226,413	844,689	897,914	-5.93%
Total	\$ 16,811,779	16,734,015	252,878	226,413	17,064,657	16,960,428	0.61%

Long-Term Debt

At June 30, 2010, the District had \$7,100,071 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 7 to the financial statements.

The District had outstanding General Obligation Bonds of \$4,310,000 at June 30, 2010.

The District had outstanding Revenue Bonds of \$2,235,000 at June 30, 2010.

The District had outstanding Early Retirement benefits of \$303,752 payable from the Special Revenue, Management Fund at June 30, 2010.

The District has a Net OPEB liability of \$251,319 as of June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 4,310,000	4,495,000	0	0	4,310,000	4,495,000	-4.12%
Revenue bonds	2,235,000	2,740,000	0	0	2,235,000	2,740,000	-18.43%
Early retirement	303,752	162,971	0	0	303,752	162,971	86.38%
Net OPEB liability	250,359	128,507	960	493	251,319	129,000	94.82%
Total	\$ 7,099,111	7,526,478	960	493	7,100,071	7,526,971	-5.67%

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:

- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- During fiscal 2011, 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.
- The District's certified enrollment on October of 2010 showed an increase of 78.5 students. Increasing or at least maintaining enrollment in upcoming years will be necessary to help maintain the District's financial health.
- Construction of a Bus/Maintenance storage facility will be completed during fiscal year 2011.

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 16th Street, Denison, Iowa, 51442.

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,817,110	244,486	5,061,596
Receivables:			
Property tax:			
Delinquent	49,632	0	49,632
Succeeding year	3,691,256	0	3,691,256
Income surtax	429,275	0	429,275
Accounts	3,920	2,935	6,855
Due from other governments	915,132	13,835	928,967
Inventories	14,187	11,308	25,495
Capital assets, net of accumulated depreciation	16,811,779	252,878	17,064,657
TOTAL ASSETS	26,732,291	525,442	27,257,733
LIABILITIES			
Accounts payable	618,225	2,696	620,921
Salaries and benefits payable	1,530,056	0	1,530,056
Accrued interest payable	74,585	0	74,585
Deferred revenue:			
Succeeding year property tax	3,691,256	0	3,691,256
Other	211,077	0	211,077
Unearned revenue	0	5,987	5,987
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	0	195,000
Revenue bonds payable	525,000	0	525,000
Early retirement payable	96,185	0	96,185
Portion due after one year:			
General obligation bonds payable	4,115,000	0	4,115,000
Revenue bonds payable	1,710,000	0	1,710,000
Early retirement payable	207,567	0	207,567
Net OPEB liability	250,359	960	251,319
TOTAL LIABILITIES	13,224,310	9,643	13,233,953
NET ASSETS			
Invested in capital assets, net of related debt	10,266,779	252,878	10,519,657
Restricted for:			
Categorical funding	338,102	0	338,102
Physical plant and equipment levy	41,614	0	41,614
Capital projects	688,333	0	688,333
Debt service	757,353	0	757,353
Other special revenue purposes	166,851	0	166,851
Unrestricted	1,248,949	262,921	1,511,870
TOTAL NET ASSETS	\$ 13,507,981	515,799	14,023,780

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 7,602,488	865,117	1,229,738	0	(5,507,633)	0	(5,507,633)
Special	2,110,798	198,548	502,496	0	(1,409,754)	0	(1,409,754)
Other	3,037,721	428,321	902,834	0	(1,706,566)	0	(1,706,566)
	12,751,007	1,491,986	2,635,068	0	(8,623,953)	0	(8,623,953)
Support services:							
Student	588,017	0	54,061	0	(533,956)	0	(533,956)
Instructional staff	650,966	0	274,063	0	(376,903)	0	(376,903)
Administration	1,582,567	0	695,542	0	(887,025)	0	(887,025)
Operation and maintenance of plant	1,605,120	0	1,965	0	(1,603,155)	0	(1,603,155)
Transportation	814,456	0	42,294	0	(772,162)	0	(772,162)
	5,241,126	0	1,067,925	0	(4,173,201)	0	(4,173,201)
Other expenditures:							
Facilities acquisitions	96,496	0	0	97,348	852	0	852
Long-term debt interest	286,191	0	0	0	(286,191)	0	(286,191)
AEA flowthrough	780,684	0	780,684	0	0	0	0
Depreciation (unallocated)*	423,124	0	0	0	(423,124)	0	(423,124)
	1,586,495	0	780,684	97,348	(708,463)	0	(708,463)
Total governmental activities	19,578,628	1,491,986	4,483,677	97,348	(13,505,617)	0	(13,505,617)
Business Type activities:							
Non-instructional programs:							
Nutrition services	1,123,911	376,466	843,911	24,577	0	121,043	121,043
Total	\$ 20,702,539	1,868,452	5,327,588	121,925	(13,505,617)	121,043	(13,384,574)
General Revenues & Transfers:							
Local tax for:							
General purposes					\$ 3,360,134	0	3,360,134
Debt service					349,343	0	349,343
Capital outlay					112,637	0	112,637
Income surtax					539,511	0	539,511
Statewide sales, services and use tax					1,171,129	0	1,171,129
Unrestricted state grants					8,396,013	0	8,396,013
Unrestricted investment earnings					27,297	693	27,990
Other					123,383	4,518	127,901
Transfers					(10,308)	10,308	0
Total general revenues & transfers					14,069,139	15,519	14,084,658
Changes in net assets					563,522	136,562	700,084
Net assets beginning of year					12,944,459	379,237	13,323,696
Net assets end of year					\$ 13,507,981	515,799	14,023,780

* 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, 2010

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:	\$ 3,252,376	752,815	811,919	4,817,110
Receivables:				
Property tax:				
Delinquent	40,426	4,538	4,668	49,632
Succeeding year	2,875,326	374,808	441,122	3,691,256
Income surtax	429,275	0	0	429,275
Interfund	0	0	35,818	35,818
Accounts	3,180	0	740	3,920
Due from other governments	494,050	0	421,082	915,132
Inventories	14,187	0	0	14,187
TOTAL ASSETS	\$ 7,108,820	1,132,161	1,715,349	9,956,330
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 35,818	0	0	35,818
Accounts payable	436,777	0	181,448	618,225
Salaries and benefits payable	1,530,056	0	0	1,530,056
Deferred revenue:				
Succeeding year property tax	2,875,326	374,808	441,122	3,691,256
Income surtax	429,275	0	0	429,275
Other	211,077	0	0	211,077
Total liabilities	5,518,329	374,808	622,570	6,515,707
Fund balances:				
Reserved for:				
Debt service	0	757,353	0	757,353
Categorical funding	338,102	0	0	338,102
Inventories	14,187	0	0	14,187
Unreserved	1,238,202	0	1,092,779	2,330,981
Total fund balances	1,590,491	757,353	1,092,779	3,440,623
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,108,820	1,132,161	1,715,349	9,956,330

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$ 3,440,623
 <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.	16,811,779
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	429,275
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.	(74,585)
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.	<u>(7,099,111)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 13,507,981</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,638,331	349,343	1,515,805	5,503,479
Tuition	1,030,918	0	0	1,030,918
Other	164,222	1,440	457,886	623,548
Intermediate sources	16,097	0	0	16,097
State sources	10,404,398	242	242	10,404,882
Federal sources	2,446,911	0	97,348	2,544,259
Total revenues	<u>17,700,877</u>	<u>351,025</u>	<u>2,071,281</u>	<u>20,123,183</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	7,329,686	0	93,238	7,422,924
Special	2,045,282	0	0	2,045,282
Other	2,576,110	0	440,094	3,016,204
	<u>11,951,078</u>	<u>0</u>	<u>533,332</u>	<u>12,484,410</u>
Support services:				
Student	583,261	0	0	583,261
Instructional staff	609,966	0	36,896	646,862
Administration	1,549,089	0	23,522	1,572,611
Operation and maintenance of plant	1,463,132	0	118,257	1,581,389
Transportation	668,326	0	118,263	786,589
	<u>4,873,774</u>	<u>0</u>	<u>296,938</u>	<u>5,170,712</u>
Other expenditures:				
Facilities acquisitions	0	0	677,074	677,074
Long-term debt:				
Principal	0	690,000	0	690,000
Interest and fiscal charges	0	297,096	0	297,096
AEA flowthrough	780,684	0	0	780,684
	<u>780,684</u>	<u>987,096</u>	<u>677,074</u>	<u>2,444,854</u>
TOTAL EXPENDITURES	<u>17,605,536</u>	<u>987,096</u>	<u>1,507,344</u>	<u>20,099,976</u>
Excess (Deficiency) of revenues over (under) expenditures	95,341	(636,071)	563,937	23,207
Other financing sources (uses):				
Transfer in	0	675,199	41,913	717,112
Transfer out	(11,329)	0	(716,091)	(727,420)
Sale of equipment	5,312	0	0	5,312
Total other financing sources (uses)	<u>(6,017)</u>	<u>675,199</u>	<u>(674,178)</u>	<u>(4,996)</u>
Net change in fund balance	89,324	39,128	(110,241)	18,211
Fund balance beginning of year	1,501,167	718,225	1,203,020	3,422,412
Fund balance end of year	<u>\$ 1,590,491</u>	<u>757,353</u>	<u>1,092,779</u>	<u>3,440,623</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 18,211

*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, depreciation expense and loss on asset disposal in the current year are as follows:

Expenditures for capital assets	\$ 787,719	
Depreciation expense	(640,842)	
Loss on asset disposal	(69,113)	77,764

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	690,000
--------	---------

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

10,905

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

29,275

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	(140,781)	
Other postemployment benefits	(121,852)	(262,633)

Changes in net assets of governmental activities (page 19) \$ 563,522

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 244,486
Accounts receivable	2,935
Due from other governments	13,835
Inventories	11,308
Total current assets	<u>272,564</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	<u>252,878</u>
Total non-current assets	<u>252,878</u>
TOTAL ASSETS	<u>525,442</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,696
Unearned revenue	5,987
Total current liabilities	<u>8,683</u>
Long-term liabilities:	
Net OPEB liability	<u>960</u>
Total long-term liabilities	<u>960</u>
TOTAL LIABILITIES	<u>9,643</u>
NET ASSETS	
Invested in capital assets	252,878
Unrestricted	262,921
TOTAL NET ASSETS	<u>\$ 515,799</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, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 376,466
Miscellaneous	4,518
TOTAL OPERATING REVENUES	380,984
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	385,606
Benefits	60,286
Services	12,997
Supplies	629,848
Other	1,397
Depreciation	33,777
TOTAL OPERATING EXPENSES	1,123,911
OPERATING LOSS	(742,927)
NON-OPERATING REVENUES:	
Interest	693
State sources	11,299
Federal sources	857,189
TOTAL NON-OPERATING REVENUES	869,181
Change in net assets before other financing sources	126,254
Other financing sources:	
Transfer in	10,308
Change in net assets	136,562
Net assets beginning of year	379,237
Net assets end of year	\$ 515,799

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 384,317
Cash received from miscellaneous operating activities	4,518
Cash payments to employees for services	(445,425)
Cash payments to suppliers for goods or services	(568,545)
Net cash used in operating activities	(625,135)
Cash flows from non-capital financing activities:	
Transfer from General Fund	10,308
State grants received	11,299
Federal grants received	760,033
Net cash provided by non-capital financing activities	781,640
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(60,242)
Cash flows from investing activities:	
Interest on investments	693
Net increase in cash and cash equivalents	96,956
Cash and cash equivalents at beginning of year	147,530
Cash and cash equivalents at end of year	\$ 244,486
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (742,927)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	83,321
Depreciation	33,777
Decrease in inventories	435
Decrease in accounts receivable	6,731
Decrease in accounts payable	(8,059)
Increase in unearned revenue	1,120
Increase in other postemployment benefits	467
Net cash used in operating activities	\$ (625,135)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$83,321.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Private Purpose Trust	Agency
	Scholarship	
ASSETS		
Cash and pooled investments	\$ 53,620	56,902
Accounts receivable	0	49
TOTAL ASSETS	53,620	56,951
LIABILITIES		
Accounts payable	0	47,702
Due to other groups	0	9,249
TOTAL LIABILITIES	0	56,951
NET ASSETS		
Restricted for scholarships	39,310	0
Unrestricted	14,310	0
TOTAL NET ASSETS	\$ 53,620	0

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Interest	\$ 646
Contributions	2,600
TOTAL ADDITIONS	<u> 3,246</u>
DEDUCTIONS:	
Instruction:	
Other:	
Scholarships awarded	<u> 2,950</u>
Change in net assets	296
Net assets beginning of year	<u> 53,324</u>
Net assets end of year	<u><u> \$ 53,620</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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 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, 2008 assessed property valuations; is for the tax

accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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:	
Intangibles	150,000
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
Intangibles	2 or more
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, 2010 expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,870 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Physical Plant and Equipment Levy	General	\$ 15,834
Capital Projects Statewide Sales, Services and Use Tax	General	19,984
Total		<u>\$ 35,818</u>

The General Fund is repaying the Physical Plant and Equipment Levy Fund and the Capital Projects, Statewide Sales, Services and Use Tax Fund for monies received from the Fire Life Safety Grant.

(4) Interfund Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales, Services and Use Tax	\$ 675,199
Activity Fund	General	1,021
Nutrition Fund	General	10,308
Capital Projects Statewide Sales, Services and Use Tax	Capital Projects Building Projects	40,892
Total		<u>\$ 727,420</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School 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. The warrant sizing

of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/2009	6/23/2010	\$ 0	300,000	300,000	0

During the year ended June 30, 2010, the District paid \$24,421 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2010 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	987,726	560,949	223,603	1,325,072
Total capital assets not being depreciated	1,171,506	560,949	223,603	1,508,852
Capital assets being depreciated:				
Buildings	19,052,074	0	0	19,052,074
Land improvements	953,428	243,232	0	1,196,660
Machinery and equipment	2,085,746	207,141	107,558	2,185,329
Total capital assets being depreciated	22,091,248	450,373	107,558	22,434,063
Less accumulated depreciation for:				
Buildings	4,731,757	364,476	0	5,096,233
Land improvements	382,737	58,648	0	441,385
Machinery and equipment	1,414,245	217,718	38,445	1,593,518
Total accumulated depreciation	6,528,739	640,842	38,445	7,131,136
Total capital assets being depreciated, net	15,562,509	(190,469)	69,113	15,302,927
Governmental activities capital assets, net	\$ 16,734,015	370,480	292,716	16,811,779

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 419,247	60,242	0	479,489
Less accumulated depreciation	192,834	33,777	0	226,611
Business type activities capital assets, net	<u>\$ 226,413</u>	<u>26,465</u>	<u>0</u>	<u>252,878</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,011
Other	16,160
Support services:	
Instructional staff	480
Administration	13,824
Operation and maintenance	35,102
Transportation	147,141
	<u>217,718</u>
Unallocated depreciation	<u>423,124</u>
Total governmental activities depreciation expense	<u>\$ 640,842</u>
Business type activities:	
Food services	<u>\$ 33,777</u>

7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 2,740,000	0	505,000	2,235,000	525,000
General Obligation Bonds	4,495,000	0	185,000	4,310,000	195,000
Early Retirement	162,971	191,000	50,219	303,752	96,185
Net OPEB liability	128,507	121,852	0	250,359	0
Total	<u>\$ 7,526,478</u>	<u>312,852</u>	<u>740,219</u>	<u>7,099,111</u>	<u>816,185</u>
Business type activities:					
Net OPEB liability	\$ 493	467	0	960	0

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Principal	Interest	Total
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		\$ 2,235,000	228,200	2,463,200

The District has pledged future statewide sales, services and use 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 statewide sales, services and use 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 52 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,463,200. For the current year \$613,590 in principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,171,129.

The resolution providing for the issuance of the statewide sales, services and use 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 statewide sales, services and use 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, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Principal	Interest	Total
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	4.50	230,000	144,246	374,246
2016-2020	3.85-5.00	1,300,000	561,661	1,861,661
2021-2025	4.00-4.13	1,595,000	276,173	1,871,173
2026	4.13	360,000	14,850	374,850
Total		\$ 4,310,000	1,663,378	5,973,378

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, 2010, totaled \$50,219. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(9) Other Postemployment Benefits (OPEB)

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, 2010, 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	6,450
Adjustment to annual required contribution	(5,131)
Annual OPEB cost (expense)	<u>187,319</u>
Contributions made	(65,000)
Increase in net OPEB obligation	<u>122,319</u>
Net OPEB obligation - beginning of year	<u>129,000</u>
Net OPEB obligation - end of year	<u><u>\$ 251,319</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, 2010.

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, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 187,319	34.70%	\$ 251,319

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$9.330 million, and the ratio of the UAAL to the covered payroll was 19.4%. As of June 30, 2010, 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.

(10) 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, 2010 were \$1,316,037.

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.

(11) 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 \$780,684 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed the certified budget amounts. During the year ended June 30, 2010 expenditures in the other expenditures functional area exceeded the amounts budgeted.

(13) Construction Commitment

The District has entered into various contracts totaling \$2,648,530 for renovations at Broadway Elementary School and the construction of a new bus barn. As of June 30, 2010, costs of \$1,088,402 had been incurred against the contracts. The balance of \$1,560,128 remaining at June 30, 2010 will be paid as work on the project progresses. The total cost of the improvements will be added to the District's fixed asset listing upon completion.

(14) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 173,132
Talented and gifted	34,660
Teacher salary supplement	61,248
Non-public textbook services	219
Destination graduation	3,186
Model core curriculum	44,994
Professional development	12,781
Market factor incentives	7,882
Total	<u>\$ 338,102</u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,157,945	381,677	7,539,622	8,008,814	8,008,814	(469,192)
Intermediate sources	16,097	0	16,097	10,000	10,000	6,097
State sources	10,404,882	11,299	10,416,181	12,520,026	12,520,026	(2,103,845)
Federal sources	2,544,259	857,189	3,401,448	1,615,000	1,615,000	1,786,448
Total revenues	20,123,183	1,250,165	21,373,348	22,153,840	22,153,840	(780,492)
Expenditures/Expenses:						
Instruction	12,484,410	0	12,484,410	13,237,668	13,237,668	753,258
Support services	5,170,712	0	5,170,712	5,604,105	5,604,105	433,393
Non-instructional programs	0	1,123,911	1,123,911	1,103,660	1,303,660	179,749
Other expenditures	2,444,854	0	2,444,854	2,416,119	2,435,516	(9,338)
Total expenditures/expenses	20,099,976	1,123,911	21,223,887	22,361,552	22,580,949	1,357,062
Excess(Deficiency) of revenues over(under) expenditures/expenses	23,207	126,254	149,461	(207,712)	(427,109)	576,570
Other financing sources, net	(4,996)	10,308	5,312	5,000	5,000	312
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	18,211	136,562	154,773	(202,712)	(422,109)	576,882
Balance beginning of year	3,422,412	379,237	3,801,649	2,720,776	2,720,776	1,080,873
Balance end of year	\$ 3,440,623	515,799	3,956,422	2,518,064	2,298,667	1,657,755

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$219,397.

During the year ended June 30, 2010, District expenditures in the other expenditures function exceeded the budgeted amount.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAA) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAA as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$1,810	\$1,810	0.0%	\$9,691	18.7%
2010	July 1, 2008	\$ -	\$1,810	\$1,810	0.0%	\$9,330	19.4%

See Note 9 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, 2010

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical	Total	Capital Projects	Other
			Plant and Equipment Levy	Special Revenue Funds		Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 192,754	167,714	56,715	417,183	394,736	811,919
Receivables:						
Property tax:						
Delinquent	3,227	0	1,441	4,668	0	4,668
Succeeding year	340,000	0	101,122	441,122	0	441,122
Interfund	0	0	15,834	15,834	19,984	35,818
Accounts	0	740	0	740	0	740
Due from other governments	0	1,071	0	1,071	420,011	421,082
TOTAL ASSETS	\$ 535,981	169,525	175,112	880,618	834,731	1,715,349
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	2,674	32,376	35,050	146,398	181,448
Deferred revenue:						
Succeeding year property tax	340,000	0	101,122	441,122	0	441,122
Total liabilities	340,000	2,674	133,498	476,172	146,398	622,570
Unreserved fund balances	195,981	166,851	41,614	404,446	688,333	1,092,779
TOTAL LIABILITIES AND FUND BALANCES	\$ 535,981	169,525	175,112	880,618	834,731	1,715,349

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, 2010

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 232,039	0	112,637	344,676	1,171,129	1,515,805
Other	25,488	429,260	397	455,145	2,741	457,886
State sources	172	0	70	242	0	242
Federal sources	0	0	77,364	77,364	19,984	97,348
TOTAL REVENUES	257,699	429,260	190,468	877,427	1,193,854	2,071,281
EXPENDITURES:						
Current:						
Instruction:						
Regular	93,238	0	0	93,238	0	93,238
Other	0	440,094	0	440,094	0	440,094
Support services:						
Instructional staff	0	0	0	0	36,896	36,896
Administration	23,522	0	0	23,522	0	23,522
Operation and maintenance of plant	117,537	0	0	117,537	720	118,257
Transportation	16,308	0	81,171	97,479	20,784	118,263
Other expenditures:						
Facilities acquisition	0	0	162,113	162,113	514,961	677,074
TOTAL EXPENDITURES	250,605	440,094	243,284	933,983	573,361	1,507,344
Excess(Deficiency) of revenues over(under) expenditures	7,094	(10,834)	(52,816)	(56,556)	620,493	563,937
Other financing sources(uses):						
Transfer in	0	1,021	0	1,021	40,892	41,913
Transfers out	0	0	0	0	(716,091)	(716,091)
Total other financing sources(uses)	0	1,021	0	1,021	(675,199)	(674,178)
Change in net assets	7,094	(9,813)	(52,816)	(55,535)	(54,706)	(110,241)
Net assets beginning of year	188,887	176,664	94,430	459,981	743,039	1,203,020
Net assets end of year	\$ 195,981	166,851	41,614	404,446	688,333	1,092,779

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Drama	\$ 5,966	1,211	2,524	0	4,653
Musical	3,646	5,724	8,405	0	965
Drama rental	364	2	0	0	366
Vocal	1,616	17,189	18,998	0	(193)
Band	2,013	4,767	7,653	0	(873)
MS band	2,695	2,664	3,190	0	2,169
Athletics	30,809	82,482	83,145	0	30,146
MS athletics	0	5,222	5,723	0	(501)
Cross country	2,879	2,051	2,751	0	2,179
Art club	1,038	335	531	0	842
Baseball club	2,652	32,520	30,130	0	5,042
Basketball club	4,332	20,931	22,163	0	3,100
Football club	435	8,249	5,031	0	3,653
World language club	328	2	0	0	330
Boys golf club	1,562	2,760	2,062	0	2,260
Girl golf club	1,070	247	134	0	1,183
Health career club	2,172	936	1,010	0	2,098
Industrial arts club	625	3	0	0	628
Softball club	293	4,385	5,128	0	(450)
Boys tennis club	329	1,132	1,199	0	262
Girls tennis club	1,216	1,841	1,980	0	1,077
Track club	435	416	536	0	315
Volleyball club	2,532	10,896	10,435	0	2,993
Wrestling club	2,303	1,410	2,941	0	772
Boys soccer	405	2,255	4,101	0	(1,441)
Fitness center	250	1	0	0	251
Girls soccer	4,164	3,365	1,791	0	5,738
National honor society	390	233	80	0	543
Do something club	277	1	0	0	278
Multi-cultural club	308	2	0	0	310
Activity ticket	146	9,386	0	0	9,532
Academic decathlon	445	300	1,225	0	(480)
Girls basketball camp	2,332	8,415	9,091	0	1,656
Business 2000	1,208	373	136	0	1,445
Cheerleaders	0	2,598	2,773	0	(175)
Concessions	0	37,927	35,065	0	2,862
Elementary activity	20,048	10,319	21,574	0	8,793
FCA	258	27	0	0	285

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
FFA	18,712	45,088	47,886	0	15,914
Bowling club	603	338	297	0	644
Forensics	3,157	830	2,219	0	1,768
Insufficient checks	(821)	559	236	0	(498)
FCCLA	2,668	2,070	3,241	0	1,497
Interest	0	939	939	0	0
MS faculty pop	0	0	30	0	(30)
MS activity	11,600	36,710	38,383	0	9,927
Destination imagination	2,626	14	135	0	2,505
HS pop fund	0	7,942	5,646	0	2,296
Students assist	(2,798)	2,898	36	0	64
Wr cheerleaders	0	90	90	0	0
Student ambassador	9,059	889	8,061	0	1,887
Student senate	16,284	17,848	12,347	0	21,785
Yearbook	1,506	1,010	3,537	1,021	0
Girls track	0	1,455	1,782	0	(327)
High school	781	4	0	0	785
Purple Pride	925	1,303	1,509	0	719
MS concessions	1,060	7,198	4,026	0	4,232
Peer mediation	193	0	0	0	193
Java den	578	3	72	0	509
Elementary mentor	1,349	7	0	0	1,356
Community service	88	0	0	0	88
Broadway elementary	6,966	7,684	8,987	0	5,663
Key club	0	3,487	2,377	0	1,110
Class of 11	0	3,628	2,799	0	829
Class of 10	587	4,689	3,954	0	1,322
Total	\$ 176,664	429,260	440,094	1,021	166,851

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, 2010

	Capital Projects Fund		
	Building Projects	Statewide Sales, Services and Use Tax	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	1,171,129	1,171,129
Other	80	2,661	2,741
Federal sources	0	19,984	19,984
TOTAL REVENUES	80	1,193,774	1,193,854
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	0	36,896	36,896
Operation and maintenance of plant	0	720	720
Transportation	0	20,784	20,784
Other expenditures:			
Facilities acquisitions	0	514,961	514,961
TOTAL EXPENDITURES	0	573,361	573,361
Excess of revenues over expenditures	80	620,413	620,493
Other financing sources(uses):			
Transfer in	0	40,892	40,892
Transfer out	(40,892)	(675,199)	(716,091)
Total other financing sources(uses)	(40,892)	(634,307)	(675,199)
Change in net assets	(40,812)	(13,894)	(54,706)
Net assets beginning of year	40,812	702,227	743,039
Net assets end of year	\$ 0	688,333	688,333

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund					
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 20,310	164	200	12,453	20,493	53,620
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Restricted for scholarships	7,310	0	0	12,000	20,000	39,310
Unrestricted	13,000	164	200	453	493	14,310
TOTAL NET ASSETS	\$ 20,310	164	200	12,453	20,493	53,620

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, 2010

	Private Purpose Trust - Scholarship Fund					
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ADDITIONS:						
Local sources:						
Interest	\$ 25	0	0	137	484	646
Contributions	2,000	0	600	0	0	2,600
TOTAL ADDITIONS	2,025	0	600	137	484	3,246
DEDUCTIONS:						
Instruction:						
Other:						
Scholarships awarded	1,500	0	650	300	500	2,950
Change in net assets	525	0	(50)	(163)	(16)	296
Net assets beginning of year	19,785	164	250	12,616	20,509	53,324
Net assets end of year	\$ 20,310	164	200	12,453	20,493	53,620

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 31,965	100,178	75,241	56,902
Accounts receivable	11	49	11	49
TOTAL ASSETS	\$ 31,976	100,227	75,252	56,951
LIABILITIES				
Accounts payable	\$ 21,649	47,702	21,649	47,702
Due to other groups	10,327	52,525	53,603	9,249
TOTAL LIABILITIES	\$ 31,976	100,227	75,252	56,951

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 5,503,479	5,160,031	4,960,166	4,762,011	4,242,492	4,188,725	3,647,468
Tuition	1,030,918	1,048,663	1,051,805	1,089,459	949,792	970,408	1,176,857
Other	623,548	754,469	1,067,344	1,302,002	1,111,703	881,057	620,216
Intermediate sources	16,097	70,023	9,591	0	1,495	1,500	3,400
State sources	10,404,882	11,219,111	10,694,202	10,072,320	9,484,543	8,598,370	7,616,970
Federal sources	2,544,259	1,362,619	1,149,172	1,472,722	1,132,611	1,439,305	910,323
Total	\$ 20,123,183	19,614,916	18,932,280	18,698,514	16,922,636	16,079,365	13,975,234
Expenditures:							
Instruction:							
Regular	\$ 7,422,924	7,054,027	6,720,642	5,746,997	5,737,369	5,517,950	5,312,309
Special	2,045,282	2,116,784	2,049,794	1,797,185	1,876,874	2,271,519	1,742,179
Other	3,016,204	2,855,764	2,480,169	2,935,405	2,494,860	1,936,036	2,294,602
Support services:							
Student	583,261	561,680	578,550	497,592	499,623	434,464	410,391
Instructional staff	646,862	705,866	864,107	596,334	502,824	365,182	359,976
Administration	1,572,611	1,611,937	1,483,141	1,407,915	1,427,585	1,266,606	1,159,764
Operation and maintenance of plant	1,581,389	1,622,136	1,650,339	1,387,985	1,299,206	1,341,401	1,221,855
Transportation	786,589	729,187	823,859	730,200	706,862	671,070	687,517
Other support	0	0	0	0	0	0	16,244
Non-instructional programs	0	0	0	0	0	1,978	0
Other expenditures:							
Facilities acquisitions	677,074	749,239	4,012,528	6,584,913	1,564,374	970,744	201,172
Long-term debt:							
Principal	690,000	744,156	683,615	460,000	0	0	0
Interest and other charges	297,096	333,643	350,465	315,641	97	0	0
AEA flow-through	780,684	673,787	632,819	600,363	573,992	533,042	499,208
Total	\$ 20,099,976	19,758,206	22,330,028	23,060,530	16,683,666	15,309,992	13,905,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 134,624
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	649,466 *
			<u>784,090</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 10	<u>48,522</u>
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY (SCHOOL LUNCH EQUIPMENT GRANTS STABILIZATION, RECOVERY ACT)	10.579	FY 10	<u>24,577</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	452,043
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	6,335
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	65,476
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	35,260
			<u>559,114</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	1701-M	<u>233,480</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>9,828</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE LIFE SAFETY GRANT)	84.215	FY 09	<u>97,348</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 09	3,613
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 10	27,365
			<u>30,978</u>
READING FIRST STATE GRANTS	84.357	FY 10	<u>108,741</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 10	<u>31,094 **</u>
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>914,147</u>

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
IMPROVING TEACHING QUALITY STATE GRANTS	84.367	FY 10	73,628
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	13,065
AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 10	119,729
SPECIAL EDUCATION GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 09	57,177
SPECIAL EDUCATION GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	134,809
			311,715
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	19,811
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 10	46,199 **
TOTAL			\$ 3,306,337

* - Includes \$83,321 in non-cash awards.

** - Total for CFDA Number 84.365 is \$77,293.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 28, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be significant deficiency.

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, 2010 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 and Questioned Costs. 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 28, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on 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, 2010. 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, 2010.

Internal Control Over Compliance

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

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-B-10 to be significant deficiency.

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 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2011

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency and material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed 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
 - Clustered
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered
 - CFDA Number 84.027 - Special Education Grants to States (Part B)
 - CFDA Number 84.391 - Special Education Grants to States (Part B), Recovery Act
 - Individual
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (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, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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-10 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 continues to work on the accuracy in regards to the coding of bills. Matching revenues with expenditures is always the goal with each specific grant or project.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2009 & 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education Grants to States (Part B)
CFDA Number 84.391: Special Education Grants to States (Part B), Recovery Act
Federal Award Year: 2009 & 2010
Area Education Agency
Passed through the Iowa Department of Education

CFDA Number 84.394: State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
Federal Award Year: 2010
Area Education Agency
Passed through the Iowa Department of Education

III-A-10 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-10 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 continues to work on the accuracy in regards to the coding of bills. Matching revenues with expenditures is always the goal with each specific grant or project.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 exceeded the budgeted amount in the other expenditures 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-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 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-10 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$ 0
Statewide sales, services and use tax revenue		1,171,129
Interest on investments		2,741
Total revenues		1,173,870
Expenditures/transfers out:		
School infrastructure:		
Land improvements	\$ 52,529	
Buildings	466,250	
Equipment	20,784	
Debt service for school infrastructure:		
Revenue debt	634,307	1,173,870
Ending balance		\$ 0

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical Plant and Equipment Levy	\$ 1.34000	\$ 374,317

IV-M-10 Financial Condition - During our audit we noted that the District had ten negative account balances in the Student Activity Fund totaling \$4,968.

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.