

DENISON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rod Bradley	President	2013
Kris Rowedder	Vice President	2011
Larry Andersen	Board Member	2013
Les Lewis	Board Member	2013
Mark Johnson	Board Member	2011
School Officials		
Mike Pardun	Superintendent	2011
Scott Larson	Business Manager	2011
Ruth Frazier	District Secretary	2011
Terry Prickett	District Treasurer	2011
Mundt, Franck and Schumacher	Attorney	2011

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, 2011, 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, 2011, 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 26, 2012 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 46 through 48 are not required parts of the

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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 six years ended June 30, 2010 while another auditor previously audited the financial statements for the year ended June 30, 2004, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 26, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$17,706,189 in fiscal 2010 to \$19,757,683 in fiscal 2011, while General Fund expenditures increased from \$17,605,536 in fiscal 2010 to \$18,675,620 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$1,590,491 in fiscal 2010 to a balance of \$2,672,554 in fiscal 2011, which is a 68.03% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and local sources in fiscal 2011. 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 increased as compared to fiscal 2010. At June 30, 2010 the District's solvency ratio was 6.99% as compared to 12.07% at June 30, 2011.

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.

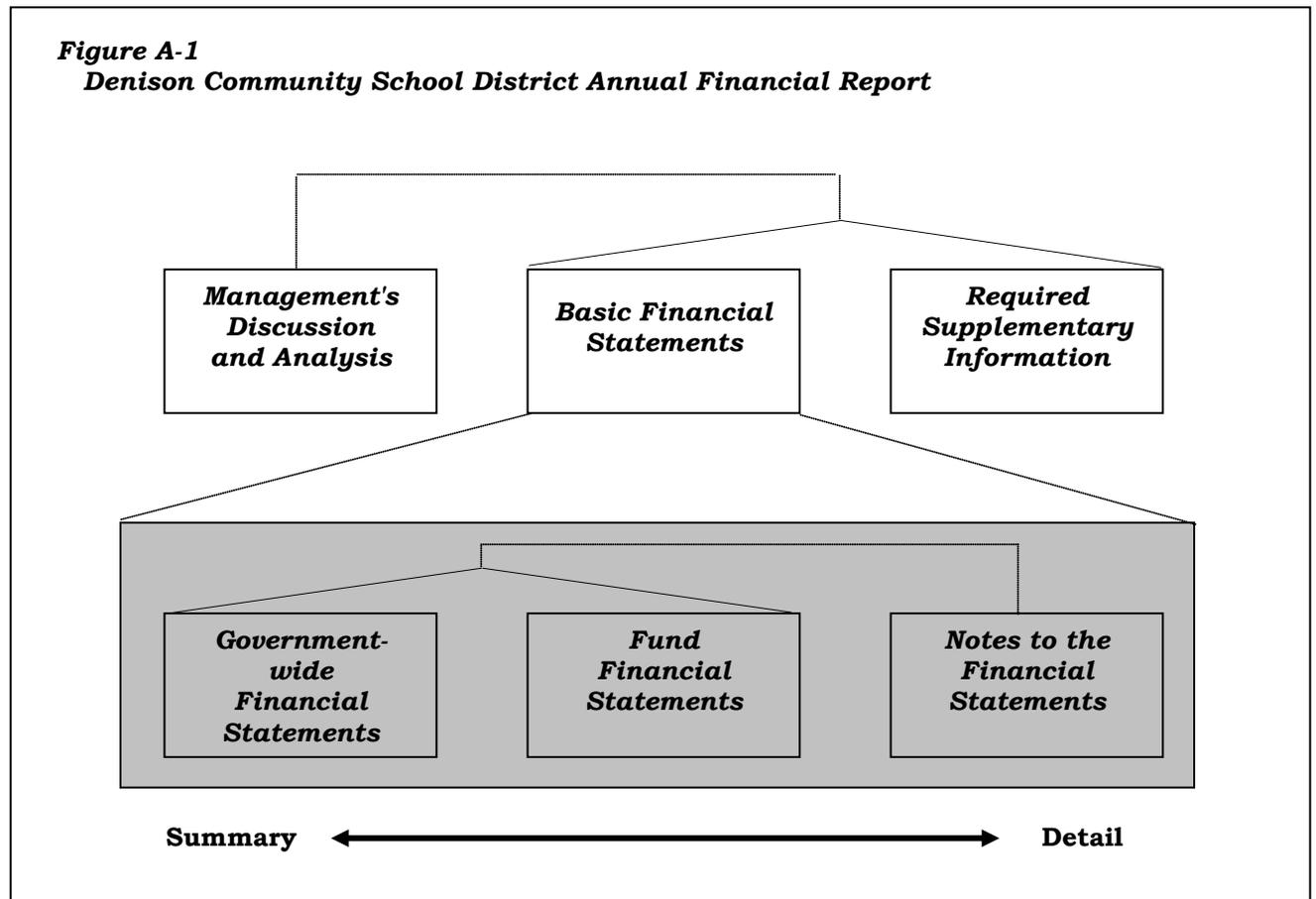


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 Fund.

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

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

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

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

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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 12,778,341	9,920,512	298,408	272,564	13,076,749	10,193,076	28.29%
Capital assets	20,573,297	16,811,779	325,958	252,878	20,899,255	17,064,657	22.47%
Total assets	33,351,638	26,732,291	624,366	525,442	33,976,004	27,257,733	24.65%
Long-term obligations	11,296,603	7,099,111	1,406	960	11,298,009	7,100,071	59.13%
Other liabilities	6,751,711	6,125,199	10,264	8,683	6,761,975	6,133,882	10.24%
Total liabilities	18,048,314	13,224,310	11,670	9,643	18,059,984	13,233,953	36.47%
Net assets:							
Invested in capital assets, net of related debt	10,177,449	10,266,779	325,958	252,878	10,503,407	10,519,657	-0.15%
Restricted	2,767,353	1,992,253	-	-	2,767,353	1,992,253	38.91%
Unrestricted	2,358,522	1,248,949	286,738	262,921	2,645,260	1,511,870	74.97%
Total net assets	\$ 15,303,324	13,507,981	612,696	515,799	15,916,020	14,023,780	13.49%

The District's combined net assets increased by 13.49%, or \$1,892,240, 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 38.91%, or \$775,100, over the prior year. This increase in restricted net assets is mainly attributable to increases in carryover fund balance for the Debt Service Fund and the Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,133,390, or 74.97%. The increase in unrestricted net assets is mainly attributable to the increase in carryover fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,734,209	1,491,986	380,595	376,466	2,114,804	1,868,452	13.18%
Operating grants and contributions and restricted interest	2,915,768	4,483,677	883,543	843,911	3,799,311	5,327,588	-28.69%
Capital grants and contributions and restricted interest	546,540	97,348	-	24,577	546,540	121,925	100.00%
General revenues:							
Property tax	4,229,341	3,822,114	-	-	4,229,341	3,822,114	10.65%
Income surtax	457,264	539,511	-	-	457,264	539,511	-15.24%
Statewide sales, services and use tax	1,205,811	1,171,129	-	-	1,205,811	1,171,129	2.96%
Unrestricted state grants	10,885,157	8,396,013	-	-	10,885,157	8,396,013	29.65%
Nonspecific program federal grants	611,181	-	-	-	611,181	-	100.00%
Other	399,450	150,680	7,007	5,211	406,457	155,891	160.73%
Transfers	-	(10,308)	-	10,308	-	-	0.00%
Total revenues & transfers	22,984,721	20,142,150	1,271,145	1,260,473	24,255,866	21,402,623	13.33%
Program expenses:							
Governmental activities:							
Instructional	13,191,820	12,751,007	-	-	13,191,820	12,751,007	3.46%
Support services	6,271,172	5,241,126	-	-	6,271,172	5,241,126	19.65%
Non-instructional programs	-	-	1,174,248	1,123,911	1,174,248	1,123,911	4.48%
Other expenses	1,726,386	1,586,495	-	-	1,726,386	1,586,495	8.82%
Total expenses	21,189,378	19,578,628	1,174,248	1,123,911	22,363,626	20,702,539	8.02%
Changes in net assets	1,795,343	563,522	96,897	136,562	1,892,240	700,084	170.29%
Beginning net assets, as restated	13,507,981	12,944,459	515,799	379,237	14,023,780	13,323,696	5.25%
Ending net assets	\$ 15,303,324	13,507,981	612,696	515,799	15,916,020	14,023,780	13.49%

In fiscal year 2011, property tax, income surtax and unrestricted state grants account for 67.75% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 99.45% of business type activities revenue.

The District's total revenues were approximately \$24.26 million of which \$22.99 million was for governmental activities and approximately \$1.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 13.33% increase in revenues and an 8.02% increase in expenses. Property tax increased \$407,227 and statewide sales, services and use tax increased \$34,682 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 \$22,984,721 and expenses were \$21,189,378 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 13,191,820	12,751,007	3.46%	9,424,145	8,623,953	9.28%
Support services	6,271,172	5,241,126	19.65%	5,655,376	4,173,201	35.52%
Other expenses	1,726,386	1,586,495	8.82%	913,340	708,463	28.92%
Totals	\$ 21,189,378	19,578,628	8.23%	15,992,861	13,505,617	18.42%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,734,209.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,462,308.
- The net cost of governmental activities was financed with \$4,229,341 in property tax, \$457,264 in income surtax, \$1,205,811 in statewide sales, services and use tax, \$10,885,157 in unrestricted state grants, \$611,181 in nonspecific program federal grants, \$24,620 in interest income and \$374,830 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$1,271,145 and expenses were \$1,174,248. 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 \$5,726,008, above last year's ending fund balances of \$3,440,623. 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 local and state 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 \$1,590,491 in fiscal 2010 to \$2,672,554 in fiscal 2011.
- The Capital Projects account balances overall increased from \$729,947 in fiscal 2010 to \$1,115,959 in fiscal 2011. The increase in fund balance for the Capital Projects accounts is a result of unspent proceeds from the issuance of \$4,707,188 in revenue bonds for the completion of renovations to Broadway Elementary as well as construction of a new bus barn. In previous years, the Physical Plant and Equipment Levy was not considered a Capital Project account. Now, due to reclassification as a result of GASB Statement No. 54, the Physical Plant and Equipment Levy is considered a Capital Project account along with the Statewide Sales, Services and Use Tax Fund.
- During the year ended June 30, 2011, the Statewide Sales, Services and Use Tax Fund increased from \$688,333 to \$798,993. The increase in fund balance can be attributed to increased sales tax revenue received and decreased fund expenditures as compared to the previous year. The Physical Plant and Equipment Levy Fund decreased from \$41,614 to \$12,814.
- The Debt Service Fund balance overall increased from \$757,353 in fiscal 2010 to \$1,542,613 in fiscal 2011. During the year, the District released the \$400,000 bond reserve from the 2006 revenue bond as well as issuing \$1,877,812 in refunding bonds to assist in the defeasement of the remaining \$2,235,000 in principal from the May 1, 2006 revenue bond issuance.

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 \$515,799 at June 30, 2010 to \$612,696 at June 30, 2011, representing an increase of 18.79%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Denison Community School District amended its budget one time to reflect additional expenditures associated with the completion of renovations to Broadway Elementary and construction of a new bus barn.

The District's revenues were \$540,392 more than budgeted revenues, a variance of 2.28%. The most significant variances resulted from the District receiving more in federal 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$20,899,255, 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 22.47% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$735,325.

The original cost of the District's capital assets was \$28,992,327. Governmental funds account for \$28,394,885 with the remainder of \$597,442 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 \$1,325,072 at June 30, 2010 as compared to \$2,373,817 at June 30, 2011. During the year ended June 30, 2011, renovation projects at Broadway Elementary were completed. The construction of the new bus barn represents the carryover amount in the construction in progress category.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 183,780	183,780	-	-	183,780	183,780	0.00%
Construction in progress	2,373,817	1,325,072	-	-	2,373,817	1,325,072	79.15%
Buildings	16,626,875	13,955,841	-	-	16,626,875	13,955,841	19.14%
Land improvements	952,442	755,275	-	-	952,442	755,275	26.11%
Machinery and equipment	436,383	591,811	325,958	252,878	762,341	844,689	-9.75%
Total	\$ 20,573,297	16,811,779	325,958	252,878	20,899,255	17,064,657	22.47%

Long-Term Debt

At June 30, 2011, the District had \$11,298,009 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding Revenue Bonds of \$6,585,000 at June 30, 2011. This amount is the total of the revenue bond issuance dated July 1, 2010. Of this issue, \$4,707,188 was used to finance renovations at Broadway Elementary and construction of a new bus barn. The remaining \$1,877,812 was used as part of the financing to defease the remaining debt of \$2,235,000 on the May 1, 2006 revenue bond issuance. Principal of \$575,000 is due on the July 1, 2010 issue during fiscal 2012.

The District had outstanding General Obligation Bonds of \$4,115,000 at June 30, 2011. Principal of \$200,000 is due during fiscal 2012.

The District had outstanding Early Retirement benefits of \$229,232 payable from the Special Revenue, Management Fund at June 30, 2011. Benefits of \$76,155 are due during fiscal 2012.

The District has a Net OPEB liability of \$368,777 as of June 30, 2011. Governmental activities account for \$367,371 while business type activities account for \$1,406.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenue bonds	\$ 6,585,000	2,235,000	-	-	6,585,000	2,235,000	194.63%
General obligation bonds	4,115,000	4,310,000	-	-	4,115,000	4,310,000	-4.52%
Early retirement	229,232	303,752	-	-	229,232	303,752	-24.53%
Net OPEB liability	367,371	250,359	1,406	960	368,777	251,319	46.74%
Total	\$ 11,296,603	7,099,111	1,406	960	11,298,009	7,100,071	59.13%

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.
- 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 in October of 2011 showed an increase of 55.7 students. Increasing or at least maintaining enrollment in upcoming years will be necessary to help maintain the District's financial health.
- Construction of the Bus Maintenance/Storage Facility will be completed during fiscal year 2012.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Denison Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

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, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,663,562	279,046	6,942,608
Receivables:			
Property tax:			
Delinquent	58,972	-	58,972
Succeeding year	4,357,070	-	4,357,070
Income surtax	446,564	-	446,564
Accounts	607	110	717
Due from other governments	978,736	12,075	990,811
Inventories	6,911	7,177	14,088
Prepaid items	265,919	-	265,919
Capital assets, net of accumulated depreciation	20,573,297	325,958	20,899,255
TOTAL ASSETS	33,351,638	624,366	33,976,004
LIABILITIES			
Accounts payable	557,326	3,874	561,200
Salaries and benefits payable	1,691,373	-	1,691,373
Accrued interest payable	145,942	-	145,942
Deferred revenue:			
Succeeding year property tax	4,357,070	-	4,357,070
Unearned revenue	-	6,390	6,390
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	200,000	-	200,000
Revenue bonds payable	575,000	-	575,000
Early retirement payable	76,155	-	76,155
Portion due after one year:			
General obligation bonds payable	3,915,000	-	3,915,000
Revenue bonds payable	6,010,000	-	6,010,000
Early retirement payable	153,077	-	153,077
Net OPEB liability	367,371	1,406	368,777
TOTAL LIABILITIES	18,048,314	11,670	18,059,984
NET ASSETS			
Invested in capital assets, net of related debt	10,177,449	325,958	10,503,407
Restricted for:			
Categorical funding	254,279	-	254,279
Student activities	158,654	-	158,654
School infrastructure	798,993	-	798,993
Physical plant and equipment	12,814	-	12,814
Debt service	1,542,613	-	1,542,613
Unrestricted	2,358,522	286,738	2,645,260
TOTAL NET ASSETS	\$ 15,303,324	612,696	15,916,020

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	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	\$ 7,195,298	1,033,274	307,713	-	(5,854,311)	-	(5,854,311)
Special	2,099,023	103,601	570,666	-	(1,424,756)	-	(1,424,756)
Other	3,897,499	597,334	1,155,087	-	(2,145,078)	-	(2,145,078)
	<u>13,191,820</u>	<u>1,734,209</u>	<u>2,033,466</u>	<u>-</u>	<u>(9,424,145)</u>	<u>-</u>	<u>(9,424,145)</u>
Support services:							
Student	606,190	-	9,660	-	(596,530)	-	(596,530)
Instructional staff	978,980	-	-	-	(978,980)	-	(978,980)
Administration	1,785,912	-	1,500	-	(1,784,412)	-	(1,784,412)
Operation and maintenance of plant	2,043,018	-	-	546,540	(1,496,478)	-	(1,496,478)
Transportation	857,072	-	58,096	-	(798,976)	-	(798,976)
	<u>6,271,172</u>	<u>-</u>	<u>69,256</u>	<u>546,540</u>	<u>(5,655,376)</u>	<u>-</u>	<u>(5,655,376)</u>
Other expenses:							
Long-term debt interest	414,803	-	-	-	(414,803)	-	(414,803)
AEA flowthrough	813,046	-	813,046	-	-	-	-
Depreciation (unallocated)*	498,537	-	-	-	(498,537)	-	(498,537)
	<u>1,726,386</u>	<u>-</u>	<u>813,046</u>	<u>-</u>	<u>(913,340)</u>	<u>-</u>	<u>(913,340)</u>
Total governmental activities	21,189,378	1,734,209	2,915,768	546,540	(15,992,861)	-	(15,992,861)
Business Type activities:							
Non-instructional programs:							
Nutrition services	1,174,248	380,595	883,543	-	-	89,890	89,890
Total	\$ 22,363,626	2,114,804	3,799,311	546,540	(15,992,861)	89,890	(15,902,971)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,756,084	-	3,756,084
Debt service					351,917	-	351,917
Capital outlay					121,340	-	121,340
Income surtax					457,264	-	457,264
Statewide sales, services and use tax					1,205,811	-	1,205,811
Unrestricted state grants					10,885,157	-	10,885,157
Nonspecific program federal grants					611,181	-	611,181
Unrestricted investment earnings					24,620	702	25,322
Other					374,830	6,305	381,135
Total general revenues					<u>17,788,204</u>	<u>7,007</u>	<u>17,795,211</u>
Changes in net assets					1,795,343	96,897	1,892,240
Net assets beginning of year					13,507,981	515,799	14,023,780
Net assets end of year					<u>\$ 15,303,324</u>	<u>612,696</u>	<u>15,916,020</u>

* 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, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 4,200,311	762,688	1,537,639	162,924	6,663,562
Receivables:					
Property tax:					
Delinquent	47,740	1,492	4,974	4,766	58,972
Succeeding year	3,579,054	106,494	371,522	300,000	4,357,070
Income surtax	446,564	-	-	-	446,564
Interfund	-	105,473	-	-	105,473
Accounts	186	-	-	421	607
Due from other governments	644,400	333,092	-	1,244	978,736
Prepaid items	26,491	-	-	239,428	265,919
Inventories	6,911	-	-	-	6,911
TOTAL ASSETS	\$ 8,951,657	1,309,239	1,914,135	708,783	12,883,814
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 105,473	-	-	-	105,473
Accounts payable	456,639	86,786	-	13,901	557,326
Salaries and benefits payable	1,691,373	-	-	-	1,691,373
Deferred revenue:					
Succeeding year property tax	3,579,054	106,494	371,522	300,000	4,357,070
Income surtax	446,564	-	-	-	446,564
Total liabilities	6,279,103	193,280	371,522	313,901	7,157,806
Fund balances:					
Restricted for:					
Nonspendable	33,402	-	-	239,428	272,830
Categorical funding	254,279	-	-	-	254,279
Construction	-	304,152	-	-	304,152
Management levy purposes	-	-	-	8,190	8,190
Student activities	-	-	-	158,654	158,654
School infrastructure	-	798,993	-	-	798,993
Physical plant and equipment	-	12,814	-	-	12,814
Debt service	-	-	1,542,613	-	1,542,613
Unassigned:					
General	2,384,873	-	-	-	2,384,873
Student activities	-	-	-	(11,390)	(11,390)
Total fund balances	2,672,554	1,115,959	1,542,613	394,882	5,726,008
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,951,657	1,309,239	1,914,135	708,783	12,883,814

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)		\$ 5,726,008
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		20,573,297
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		446,564
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.		(145,942)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(11,296,603)</u>
Net assets of governmental activities(page 18)		<u><u>\$ 15,303,324</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, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,855,115	1,327,151	351,917	340,944	5,875,127
Tuition	971,269	-	-	-	971,269
Other	490,253	18,539	7,175	620,494	1,136,461
Intermediate sources	25,929	-	-	-	25,929
State sources	12,023,688	67	216	207	12,024,178
Federal sources	2,387,928	546,540	-	-	2,934,468
Total revenues	19,754,182	1,892,297	359,308	961,645	22,967,432
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,012,878	42,437	-	133,173	7,188,488
Special	2,074,679	-	-	-	2,074,679
Other	3,268,716	-	-	617,812	3,886,528
	12,356,273	42,437	-	750,985	13,149,695
Support services:					
Student	601,621	-	-	-	601,621
Instructional staff	925,878	49,625	-	-	975,503
Administration	1,653,936	29,316	19,543	22,509	1,725,304
Operation and maintenance of plant	1,611,812	16,754	-	128,113	1,756,679
Transportation	713,054	-	-	27,988	741,042
	5,506,301	95,695	19,543	178,610	5,800,149
Other expenditures:					
Facilities acquisitions	-	4,686,821	-	-	4,686,821
Long-term debt:					
Principal	-	-	195,000	-	195,000
Interest and fiscal charges	-	-	343,446	-	343,446
AEA flowthrough	813,046	-	-	-	813,046
	813,046	4,686,821	538,446	-	6,038,313
TOTAL EXPENDITURES	18,675,620	4,824,953	557,989	929,595	24,988,157
Excess(Deficiency) of revenues over(under) expenditures	1,078,562	(2,932,656)	(198,681)	32,050	(2,020,725)
Other financing sources(uses):					
Transfer in	-	-	1,383,941	-	1,383,941
Transfer out	-	(1,383,941)	-	-	(1,383,941)
Revenue bond issuance	-	4,707,188	-	-	4,707,188
Premium on revenue bond issuance	-	78,394	-	-	78,394
Discount on revenue bond issuance	-	(82,973)	-	-	(82,973)
Refunding bond issuance	-	-	1,877,812	-	1,877,812
Payment to escrow	-	-	(2,277,812)	-	(2,277,812)
Sale of equipment	3,501	-	-	-	3,501
Total other financing sources(uses)	3,501	3,318,668	983,941	-	4,306,110
Net change in fund balance	1,082,063	386,012	785,260	32,050	2,285,385
Fund balance beginning of year	1,590,491	729,947	757,353	362,832	3,440,623
Fund balance end of year	\$ 2,672,554	1,115,959	1,542,613	394,882	5,726,008

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
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 2,285,385

**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 and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 4,451,970	
Depreciation expense	(690,452)	3,761,518

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

Issued	\$ (6,585,000)	
Repaid	2,430,000	(4,155,000)

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. (71,357)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 17,289

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	\$ 74,520	
Other postemployment benefits	(117,012)	(42,492)

Changes in net assets of governmental activities(page 19) \$ 1,795,343

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 279,046
Accounts receivable	110
Due from other governments	12,075
Inventories	7,177
Total current assets	298,408
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	325,958
Total non-current assets	325,958
TOTAL ASSETS	624,366
LIABILITIES	
Current liabilities:	
Accounts payable	3,874
Unearned revenue	6,390
Total current liabilities	10,264
Long-term liabilities:	
Net OPEB liability	1,406
Total long-term liabilities	1,406
TOTAL LIABILITIES	11,670
NET ASSETS	
Invested in capital assets	325,958
Unrestricted	286,738
TOTAL NET ASSETS	\$ 612,696

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 380,595
Miscellaneous	6,305
TOTAL OPERATING REVENUES	386,900
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	407,373
Benefits	65,107
Services	17,050
Supplies	639,626
Other	219
Depreciation	44,873
TOTAL OPERATING EXPENSES	1,174,248
OPERATING LOSS	(787,348)
NON-OPERATING REVENUES:	
Interest	702
State sources	10,927
Federal sources	872,616
TOTAL NON-OPERATING REVENUES	884,245
Change in net assets	96,897
Net assets beginning of year	515,799
Net assets end of year	\$ 612,696

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 383,823
Cash received from miscellaneous operating activities	6,305
Cash payments to employees for services	(472,034)
Cash payments to suppliers for goods or services	(583,312)
Net cash used in operating activities	(665,218)
Cash flows from non-capital financing activities:	
State grants received	10,927
Federal grants received	806,102
Net cash provided by non-capital financing activities	817,029
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(117,953)
Cash flows from investing activities:	
Interest on investments	702
Net increase in cash and cash equivalents	34,560
Cash and cash equivalents at beginning of year	244,486
Cash and cash equivalents at end of year	\$ 279,046
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (787,348)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	68,274
Depreciation	44,873
Decrease in inventories	4,131
Decrease in accounts receivable	2,825
Increase in accounts payable	1,178
Increase in unearned revenue	403
Increase in other postemployment benefits	446
Net cash used in operating activities	\$ (665,218)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$68,274.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 53,955	58,634
Accounts receivable	-	719
TOTAL ASSETS	<u>53,955</u>	<u>59,353</u>
LIABILITIES		
Accounts payable	-	54,055
Due to other groups	-	5,298
TOTAL LIABILITIES	<u>-</u>	<u>59,353</u>
NET ASSETS		
Restricted for scholarships	39,310	-
Unrestricted	14,645	-
TOTAL NET ASSETS	<u>\$ 53,955</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust	Scholarship
ADDITIONS:		
Local sources:		
Interest	\$ 735	
Contributions		2,400
TOTAL ADDITIONS		3,135
DEDUCTIONS:		
Instruction:		
Other:		
Scholarships awarded		2,800
Change in net assets		335
Net assets beginning of year		53,620
Net assets end of year	\$	53,955

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The 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 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.

When an expenditure is incurred in governmental funds which can be paid either restricted or unrestricted resources, the District's policy is generally to first apply the

expenditure toward restricted fund balance and then to less restrictive classifications - committed, assigned and then unassigned fund balances.

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 1% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

Nonspendable - Amounts that include inventory in the General Fund. The nonspendable balance also includes amounts of prepaid property insurance from the General and Management Levy Funds for fiscal year 2012.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable or nonspendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$164,807 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**

Interfund receivables/payables at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects: Physical Plant and Equipment Levy	General	\$ 15,834
Capital Projects: Statewide Sales, Services and Use Tax	General	19,984
Capital Projects: Bus Barn Construction	General	69,655
Total		<u>\$ 105,473</u>

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for moneys received from the Fire Life Safety Grant during fiscal 2010.

The General Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for moneys received from the Fire Life Safety Grant during fiscal 2010.

The General Fund is repaying the Capital Projects: Bus Barn Construction for sales tax revenues that had not been placed in the proper fund before the end of the fiscal year.

(4) Interfund Transfers

Transfers for the year ended June 30, 2011 are as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 805,513
Debt Service	Capital Projects: Bus Barn Construction	578,428
Total		<u>\$ 1,383,941</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed in anticipation of fiscal year 2012 revenue bond principal and interest payments on the July 1, 2010 bond issuance.

The transfer from the Capital Projects: Bus Barn Construction to the Debt Service Fund was needed to create the revenue bond reserve for the bonds dated July 1, 2010 and to move interest earned from previous bond issuances.

5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 4,310,000	-	195,000	4,115,000	200,000
Revenue Bonds	2,235,000	6,585,000	2,235,000	6,585,000	575,000
Early Retirement	303,752	27,665	102,185	229,232	76,155
Net OPEB liability	250,359	117,012	-	367,371	-
Total	<u>\$ 7,099,111</u>	<u>6,729,677</u>	<u>2,532,185</u>	<u>11,296,603</u>	<u>851,155</u>
Business type activities:					
Net OPEB liability	\$ 960	446	-	1,406	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Principal	Interest	Total
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	5.00	240,000	133,896	373,896
2017-2021	3.85-4.05	1,355,000	508,031	1,863,031
2022-2026	4.10-4.13	1,660,000	210,757	1,870,757
Total		<u>\$ 4,115,000</u>	<u>1,484,070</u>	<u>5,599,070</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2010			
	Interest Rates	Principal	Interest	Total
2012	3.00	% \$ 575,000	226,250	801,250
2013	3.00	585,000	208,850	793,850
2014	3.00	600,000	191,075	791,075
2015	3.00	615,000	172,850	787,850
2016	3.00	195,000	160,700	355,700
2017-2021	3.00-3.60	1,085,000	706,920	1,791,920
2022-2026	3.80-4.15	1,345,000	484,909	1,829,909
2027-2030	4.20-4.50	1,585,000	165,053	1,750,053
Total		\$ 6,585,000	2,316,607	8,901,607

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,585,000 bonds issued July 1, 2010. The bonds were issued for the purpose of defeasement of \$2,235,000 in principal of the May 1, 2006 bond issue as well as defray costs of renovations of the Broadway Elementary building and construction of a new bus barn. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 66 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,901,607. For the current year \$117,438 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,205,811.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$578,387 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.

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, 2011, totaled \$102,185.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,780	-	-	183,780
Construction in progress	1,325,072	2,643,356	1,594,611	2,373,817
Total capital assets not being depreciated	<u>1,508,852</u>	<u>2,643,356</u>	<u>1,594,611</u>	<u>2,557,597</u>
Capital assets being depreciated:				
Buildings	19,052,074	3,097,460	-	22,149,534
Land improvements	1,196,660	269,278	-	1,465,938
Machinery and equipment	2,185,329	36,487	-	2,221,816
Total capital assets being depreciated	<u>22,434,063</u>	<u>3,403,225</u>	<u>-</u>	<u>25,837,288</u>
Less accumulated depreciation for:				
Buildings	5,096,233	426,426	-	5,522,659
Land improvements	441,385	72,111	-	513,496
Machinery and equipment	1,593,518	191,915	-	1,785,433
Total accumulated depreciation	<u>7,131,136</u>	<u>690,452</u>	<u>-</u>	<u>7,821,588</u>
Total capital assets being depreciated, net	<u>15,302,927</u>	<u>2,712,773</u>	<u>-</u>	<u>18,015,700</u>
Governmental activities capital assets, net	<u>\$ 16,811,779</u>	<u>5,356,129</u>	<u>1,594,611</u>	<u>20,573,297</u>
Business type activities:				
Machinery and equipment	\$ 479,489	117,953	-	597,442
Less accumulated depreciation	226,611	44,873	-	271,484
Business type activities capital assets, net	<u>\$ 252,878</u>	<u>73,080</u>	<u>-</u>	<u>325,958</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,066
Other	16,933
Support services:	
Administration	13,273
Operation and maintenance	37,952
Transportation	120,691
	<u>191,915</u>
Unallocated depreciation	<u>498,537</u>
Total governmental activities depreciation expense	<u>\$ 690,452</u>
Business type activities:	
Food services	<u>\$ 44,873</u>

(7) Bond Defeasement

On July 1, 2010, the District issued \$6,585,000 in revenue bonds, of which \$4,707,188 was used to finance renovations to the Broadway Elementary building and the construction of a new bus barn. The remaining \$1,877,812 of the bond issuance along with the \$400,000 bond reserve from the revenue bonds dated May 1, 2006 were placed in an irrevocable escrow account to advance refund \$2,235,000 of outstanding revenue bonds dated May 1, 2006.

The proceeds of the advance refunding portion of the July 1, 2010 revenue bond issuance along with the May 1, 2006 reserve amount were invested in U.S. Government obligations which were certified to be sufficient to pay all principal and interest on the \$2,235,000 of the May 1, 2006 revenue bonds when they were callable on January 1, 2011 and the interest from July 1, 2010 to and including January 1, 2011.

The District was contingently liable in the remote possibility the account was insufficient to pay the bonds. After the principal and interest on all of the outstanding bonds were paid, any remaining funds in the escrow account, together with any interest thereon, was returned to the District. The new bonds have been added to the appropriate financial statements and schedules. The present value of savings for the advance refunding was \$45,665.

At June 30, 2011, none of the bonds dated May 1, 2006 are outstanding and defeasement of principal and interest for these bonds was \$2,235,000 and \$228,200 respectively.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$836,383, \$772,358 and \$720,921, respectively, equal to the required contributions for each year.

(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, 2011, 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	12,566
Adjustment to annual required contribution	(11,108)
Annual OPEB cost	<u>187,458</u>
Contributions made	(70,000)
Increase in net OPEB obligation	<u>117,458</u>
Net OPEB obligation - beginning of year	<u>251,319</u>
Net OPEB obligation - end of year	<u><u>\$ 368,777</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, 2011.

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, 2011 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 186,000	30.65%	\$ 129,000
2010	187,319	34.70%	251,319
2011	187,458	37.34%	368,777

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$8.837 million, and the ratio of the UAAL to the covered payroll was 20.5%. As of June 30, 2011, 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 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 \$813,046 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into various contracts totaling \$2,451,692 for construction of a new bus barn. As of June 30, 2011, costs of \$2,325,332 had been incurred against the contracts. The balance of \$126,360 remaining at June 30, 2011 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.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2011 are broken out by the following projects:

Project	Amount
Gifted and talented	\$ 57,479
Teacher salary supplement	40,022
Statewide voluntary preschool	25,296
Professional development	3,241
Market factor incentives	7,314
Destination graduation	3,186
Professional development, model core curriculum	64,387
Teacher development academies	4,254
Transportation aid for non-public students	49,100
Total	<u>\$ 254,279</u>

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	688,333	41,614
Change in fund type classification per implementation of GASB Statement No. 54	41,614	(41,614)
Balances July 1, 2010, as restated	\$ 729,947	-

Denison Community School District

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,982,857	387,602	8,370,459	8,072,276	8,072,276	298,183
Intermediate sources	25,929	-	25,929	70,000	70,000	(44,071)
State sources	12,024,178	10,927	12,035,105	12,980,909	12,980,909	(945,804)
Federal sources	2,934,468	872,616	3,807,084	2,575,000	2,575,000	1,232,084
Total revenues	<u>22,967,432</u>	<u>1,271,145</u>	<u>24,238,577</u>	<u>23,698,185</u>	<u>23,698,185</u>	<u>540,392</u>
Expenditures/Expenses:						
Instruction	13,149,695	-	13,149,695	13,876,000	13,876,000	726,305
Support services	5,800,149	-	5,800,149	6,149,469	6,149,469	349,320
Non-instructional programs	-	1,174,248	1,174,248	1,400,000	1,400,000	225,752
Other expenditures	6,038,313	-	6,038,313	7,926,272	9,926,272	3,887,959
Total expenditures/expenses	<u>24,988,157</u>	<u>1,174,248</u>	<u>26,162,405</u>	<u>29,351,741</u>	<u>31,351,741</u>	<u>5,189,336</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(2,020,725)	96,897	(1,923,828)	(5,653,556)	(7,653,556)	5,729,728
Other financing sources, net	<u>4,306,110</u>	-	<u>4,306,110</u>	<u>4,652,000</u>	<u>4,652,000</u>	<u>(345,890)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,285,385	96,897	2,382,282	(1,001,556)	(3,001,556)	5,383,838
Balance beginning of year	<u>3,440,623</u>	<u>515,799</u>	<u>3,956,422</u>	<u>3,066,969</u>	<u>3,066,969</u>	<u>889,453</u>
Balance end of year	<u>\$ 5,726,008</u>	<u>612,696</u>	<u>6,338,704</u>	<u>2,065,413</u>	<u>65,413</u>	<u>6,273,291</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2011, the District adopted one budget amendment increasing budgeted expenditures by \$2,000,000.

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 (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$1,810	\$1,810	0.0%	\$9,691	18.7%
2010	July 1, 2008	\$ -	\$1,810	\$1,810	0.0%	\$9,330	19.4%
2011	July 1, 2008	\$ -	\$1,810	\$1,810	0.0%	\$8,837	20.5%

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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 3,424	159,500	162,924
Receivables:			
Property tax:			
Delinquent	4,766	-	4,766
Succeeding year	300,000	-	300,000
Accounts	-	421	421
Due from other governments	-	1,244	1,244
Prepaid items	239,428	-	239,428
TOTAL ASSETS	\$ 547,618	161,165	708,783
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	13,901	13,901
Deferred revenue:			
Succeeding year property tax	300,000	-	300,000
Total liabilities	300,000	13,901	313,901
Fund balances:			
Restricted for:			
Nonspendable	239,428	-	239,428
Management levy purposes	8,190	-	8,190
Student activities	-	158,654	158,654
Unassigned	-	(11,390)	(11,390)
Total fund balances	247,618	147,264	394,882
TOTAL LIABILITIES AND FUND BALANCES	\$ 547,618	175,066	708,783

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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 340,944	-	340,944
Other	22,269	598,225	620,494
State sources	207	-	207
TOTAL REVENUES	<u>363,420</u>	<u>598,225</u>	<u>961,645</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	133,173	-	133,173
Other	-	617,812	617,812
Support services:			
Administration	22,509	-	22,509
Operation and maintenance of plant	128,113	-	128,113
Transportation	27,988	-	27,988
TOTAL EXPENDITURES	<u>311,783</u>	<u>617,812</u>	<u>929,595</u>
Change in net assets	51,637	(19,587)	32,050
Net assets beginning of year, as restated	<u>195,981</u>	<u>166,851</u>	<u>362,832</u>
Net assets end of year	<u>\$ 247,618</u>	<u>147,264</u>	<u>394,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 504,020	254,570	4,098	762,688
Receivables:				
Property tax:				
Delinquent	-	-	1,492	1,492
Succeeding year	-	-	106,494	106,494
Interfund	19,984	69,655	15,834	105,473
Due from other governments	333,092	-	-	333,092
TOTAL ASSETS	\$ 857,096	324,225	127,918	1,309,239
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 58,103	20,073	8,610	86,786
Deferred revenue:				
Succeeding year property tax	-	-	106,494	106,494
Total liabilities	58,103	20,073	115,104	193,280
Fund balances:				
Restricted for:				
Construction	-	304,152	-	304,152
School infrastructure	798,993	-	-	798,993
Physical plant and equipment	-	-	12,814	12,814
Total fund balances	798,993	304,152	12,814	1,115,959
TOTAL LIABILITIES AND FUND BALANCES	\$ 857,096	324,225	243,022	1,309,239

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 1,205,811	-	121,340	1,327,151
Other	3,422	3,269	11,848	18,539
State sources	-	-	67	67
Federal sources	-	500,000	46,540	546,540
TOTAL REVENUES	<u>1,209,233</u>	<u>503,269</u>	<u>179,795</u>	<u>1,892,297</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	17,604	-	24,833	42,437
Support services:				
Instructional staff	-	-	49,625	49,625
Adminstration	-	29,316	-	29,316
Operation and maintenance of plant	-	-	16,754	16,754
Other expenditures:				
Facilities acquisitions	275,456	4,293,982	117,383	4,686,821
TOTAL EXPENDITURES	<u>293,060</u>	<u>4,323,298</u>	<u>208,595</u>	<u>4,824,953</u>
Excess(Deficiency) of revenues over(under) expenditures	916,173	(3,820,029)	(28,800)	(2,932,656)
Other financing sources(uses):				
Transfer out	(805,513)	(578,428)	-	(1,383,941)
Revenue bond issuance	-	4,707,188	-	4,707,188
Premium on revenue bond issuance	-	78,394	-	78,394
Discount on revenue bond issuance	-	(82,973)	-	(82,973)
Total other financing sources(uses)	<u>(805,513)</u>	<u>4,124,181</u>	<u>-</u>	<u>3,318,668</u>
Change in net assets	110,660	304,152	(28,800)	386,012
Net assets beginning of year, as restated	<u>688,333</u>	<u>-</u>	<u>41,614</u>	<u>729,947</u>
Net assets end of year	<u>\$ 798,993</u>	<u>304,152</u>	<u>12,814</u>	<u>1,115,959</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 4,653	25	178	4,500
Musical	965	1,517	2,482	-
Drama rental	366	2	-	368
Vocal	(193)	11,653	15,995	(4,535)
Band	(873)	873	-	-
MS band	2,169	3,034	3,602	1,601
Athletics	30,146	98,970	105,389	23,727
MS athletics	(501)	6,367	4,522	1,344
Cross country	2,179	3,267	4,357	1,089
Art club	842	3	225	620
Baseball club	5,042	29,889	30,342	4,589
Basketball club	3,100	16,313	16,380	3,033
Football club	3,653	13,731	12,018	5,366
World language club	330	2	-	332
Boys golf club	2,260	2,381	2,125	2,516
Girl golf club	1,183	773	1,438	518
Health career club	2,098	252	291	2,059
Industrial arts club	628	280	-	908
Softball club	(450)	9,523	8,415	658
Boys tennis club	262	488	750	-
Girls tennis club	1,077	2,405	2,145	1,337
Track club	315	422	571	166
Volleyball club	2,993	10,399	9,157	4,235
Wrestling club	772	3,440	3,788	424
Boys soccer	(1,441)	2,353	-	912
Fitness center	251	2,500	251	2,500
Girls soccer	5,738	2,853	5,715	2,876
National honor society	543	203	114	632
Do something club	278	2	-	280
Multi-cultural club	310	-	310	-
Activity ticket	9,532	9,523	19,057	(2)
Academic decathlon	(480)	606	-	126
Girls basketball camp	1,656	11,459	14,590	(1,475)
Business 2000	1,445	580	86	1,939
Change	-	-	450	(450)
Cheerleaders	(175)	7,707	6,439	1,093
Concessions	2,862	50,727	53,569	20
Elementary activity	8,793	44,783	39,014	14,562
FCA	285	2	-	287

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
FFA	15,914	52,562	54,792	13,684
Bowling club	644	1,166	1,315	495
Forensics	1,768	800	2,568	-
Insufficient checks	(498)	605	570	(463)
FCCLA	1,497	2,124	1,388	2,233
Interest	-	891	891	-
MS faculty pop	(30)	-	30	(60)
MS activity	9,927	28,967	33,102	5,792
Destination imagination	2,505	139	24	2,620
HS pop fund	2,296	4,197	6,480	13
Students assist	64	1	-	65
Student ambassador	1,887	13,311	10,001	5,197
Student senate	21,785	18,788	21,935	18,638
Yearbook	-	1,933	207	1,726
Girls track	(327)	1,155	828	-
High school	785	4	-	789
Purple Pride	719	1,207	597	1,329
MS concessions	4,232	5,130	9,335	27
Peer mediation	193	-	-	193
Java den	509	27	-	536
Elementary mentor	1,356	-	1,356	-
Community service	88	-	-	88
Broadway elementary	5,663	25,902	20,828	10,737
Key club	1,110	12,377	8,656	4,831
Instrumental	-	62,232	66,337	(4,105)
Class of 12	829	10,391	6,176	5,044
Class of 13	1,322	5,009	6,631	(300)
Total	\$ 166,851	598,225	617,812	147,264

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund					
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 20,332	164	200	12,506	20,753	53,955
LIABILITIES	-	-	-	-	-	-
NET ASSETS						
Restricted for scholarships	7,310	-	-	12,000	20,000	39,310
Unrestricted	13,022	164	200	506	753	14,645
TOTAL NET ASSETS	\$ 20,332	164	200	12,506	20,753	53,955

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, 2011

	Private Purpose Trust - Scholarship Fund					Total
	Riggleman Scholarship	Laces Foundation	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	
ADDITIONS:						
Local sources:						
Interest	\$ 22	-	-	253	460	735
Contributions	2,000	-	400	-	-	2,400
TOTAL ADDITIONS	2,022	-	400	253	460	3,135
DEDUCTIONS:						
Instruction:						
Other:						
Scholarships awarded	2,000	-	400	200	200	2,800
Change in net assets	22	-	-	53	260	335
Net assets beginning of year	20,310	164	200	12,453	20,493	53,620
Net assets end of year	\$ 20,332	164	200	12,506	20,753	53,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 56,902	103,592	101,860	58,634
Accounts receivable	49	719	49	719
TOTAL ASSETS	\$ 56,951	104,311	101,909	59,353
LIABILITIES				
Accounts payable	\$ 47,702	54,055	47,702	54,055
Due to other groups	9,249	50,256	54,207	5,298
TOTAL LIABILITIES	\$ 56,951	104,311	101,909	59,353

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 5,875,127	5,503,479	5,160,031	4,960,166	4,762,011	4,242,492	4,188,725	3,647,468
Tuition	971,269	1,030,918	1,048,663	1,051,805	1,089,459	949,792	970,408	1,176,857
Other	1,136,461	623,548	754,469	1,067,344	1,302,002	1,111,703	881,057	620,216
Intermediate sources	25,929	16,097	70,023	9,591	-	1,495	1,500	3,400
State sources	12,024,178	10,404,882	11,219,111	10,694,202	10,072,320	9,484,543	8,598,370	7,616,970
Federal sources	2,934,468	2,544,259	1,362,619	1,149,172	1,472,722	1,132,611	1,439,305	910,323
Total	\$ 22,967,432	20,123,183	19,614,916	18,932,280	18,698,514	16,922,636	16,079,365	13,975,234
Expenditures:								
Instruction:								
Regular	\$ 7,188,488	7,422,924	7,054,027	6,720,642	5,746,997	5,737,369	5,517,950	5,312,309
Special	2,074,679	2,045,282	2,116,784	2,049,794	1,797,185	1,876,874	2,271,519	1,742,179
Other	3,886,528	3,016,204	2,855,764	2,480,169	2,935,405	2,494,860	1,936,036	2,294,602
Support services:								
Student	601,621	583,261	561,680	578,550	497,592	499,623	434,464	410,391
Instructional staff	975,503	646,862	705,866	864,107	596,334	502,824	365,182	359,976
Administration	1,725,304	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	1,756,679	1,581,389	1,622,136	1,650,339	1,387,985	1,299,206	1,341,401	1,221,855
Transportation	741,042	786,589	729,187	823,859	730,200	706,862	671,070	687,517
Other support	-	-	-	-	-	-	-	16,244
Non-instructional programs	-	-	-	-	-	-	1,978	-
Other expenditures:								
Facilities acquisitions	4,686,821	677,074	749,239	4,012,528	6,584,913	1,564,374	970,744	201,172
Long-term debt:								
Principal	195,000	690,000	744,156	683,615	460,000	-	-	-
Interest and fiscal charges	343,446	297,096	333,643	350,465	315,641	97	-	-
AEA flow-through	813,046	780,684	673,787	632,819	600,363	573,992	533,042	499,208
Total	\$ 24,988,157	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, 2011

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 11	\$ 158,054
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	687,579 *
			<u>845,633</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 11	<u>26,983</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	497,618
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	65,429
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 11	5,300
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	79,095
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	172,075
			<u>819,517</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	1701-M	<u>253,000</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE LIFE SAFETY GRANT)	84.215	FY 11	46,540
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION GRANT)	84.215	FY 11	500,000
			<u>546,540</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 11	<u>11,020</u>
READING FIRST STATE GRANTS	84.357	FY 11	<u>61,671</u>
STATE FISCAL STABILIZATION CLUSTER PROGRAMS:			
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	4,886
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	106,523
STATE FISCAL STABILIZATION FUND(SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	95,013
			<u>206,422</u>

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 11	74,857
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 11	13,130
EDUCATION JOBS FUND	84.410	FY 11	404,759
AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 11	117,774
SPECIAL EDUCATION GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	127,097
			244,871
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	19,841
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 11	106,740
TOTAL			\$ 3,634,984

* - Includes \$68,274 in non-cash awards.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2012. 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-11 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

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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, 2011 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 26, 2012

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 That Could Have a Direct and Material Effect
on 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 could have a direct and material effect on each of Denison Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect to each of its major federal programs for the year ended June 30, 2011.

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.

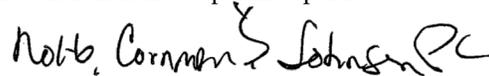
Members American Institute & Iowa Society of Certified Public Accountants

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-11 to be a material weakness.

Denison Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we 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 26, 2012

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A 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 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 - Schools in Need of Assistance (SINA)
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
 - Individual*

 - CFDA Number 84.215 - Fund for the Improvement of Education (Fire Life Safety Grant)
 - CFDA Number 84.215 - Fund for the Improvement of Education (Iowa Demonstration Grant)
 - Individual*

 - CFDA Number 84.410 - Education Jobs Fund, 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, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I - Schools in Need of Assistance (SINA)
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: 2010 & 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.215: Fund for the Improvement of Education (Fire Life Safety Grant)
CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration Grant)
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 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-11 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-11 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management 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-11 Supplementary Weighting - No variances in the supplementary weighting data certified to the Iowa Department of Education were noted. However, we noted during our audit that four students reported on the English Language Learner summary on Project Easier had exceeded their funding by 0.22 per 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-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	688,333
Revenues/Transfer in:			
Sales tax revenues	\$	1,205,811	
Other local revenue		3,422	1,209,233
		<u> </u>	<u>1,897,566</u>
Expenditures/transfer out:			
School infrastructure construction	\$	275,456	
Equipment		17,604	
Transfer to other funds:			
Debt service fund		805,513	1,098,573
		<u> </u>	<u>1,098,573</u>
Ending balance		\$	<u>798,993</u>

For the year ended, June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-11 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check from the Capital Projects and Physical Plant and Equipment Fund as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will contact the bank to ensure that all bank statements include the front and back images of all checks.

Conclusion - Response accepted.

- IV-N-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Scholarships: We noted during our audit revenues and expenditures from the Student Activity Fund for scholarships from the FCCLA, Art Club, Academic Decathlon, FFA, Student Senate and Forensics accounts.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund to ensure recording in the proper fund. Donations, other revenues and subsequent expenditures for the purpose of scholarships to students should be recorded in the Private Purpose Trust Fund.

Response - Donations, other revenues and subsequent expenditures for the purpose of scholarships to students within these various activities will be recorded in the Private Purpose Trust Fund.

Conclusion - Response accepted.

IV-O-11 Financial Condition - During our audit we noted that the District had eight negative account balances in the Student Activity Fund totaling \$11,390.

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.