

**Denver Community School District**

**Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings**

**June 30, 2013**

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Independent Auditor's Report

To the Board of Education of  
Denver Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District, Denver, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Denver Community School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Finding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

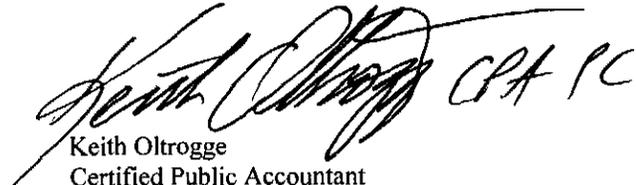
### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 19, 2014 on my consideration of Denver Community School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denver Community School District's internal control over financial reporting and compliance.



Keith Oltrogge  
Certified Public Accountant

February 19, 2014

**Denver Community School District**  
**Management's Discussion and Analysis**

**Year ended June 30, 2013**

Denver Community School District provides this 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

**2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,920,076 in fiscal 2012 to \$6,948,786 in fiscal 2013, while General Fund expenditures increased from \$6,698,486 in fiscal 2012 to \$7,158,666 in fiscal 2013. The District's General Fund adjusted balance decreased from \$1,582,784 in fiscal 2012 to \$1,372,904 in fiscal 2013, a 13.3% decrease.
- The increase in General Fund revenues was attributable to an increase in state and federal revenue in fiscal 2013. The increase in expenditures was due primarily to an increase in instruction and supportive services costs.
- The District's solvency ratio decreased from 19.3% in 2012 to 16.0% in fiscal 2013. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Denver 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 Denver 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 Denver Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds.

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

**Figure A-1**  
**Denver Community School District Annual Financial Report**

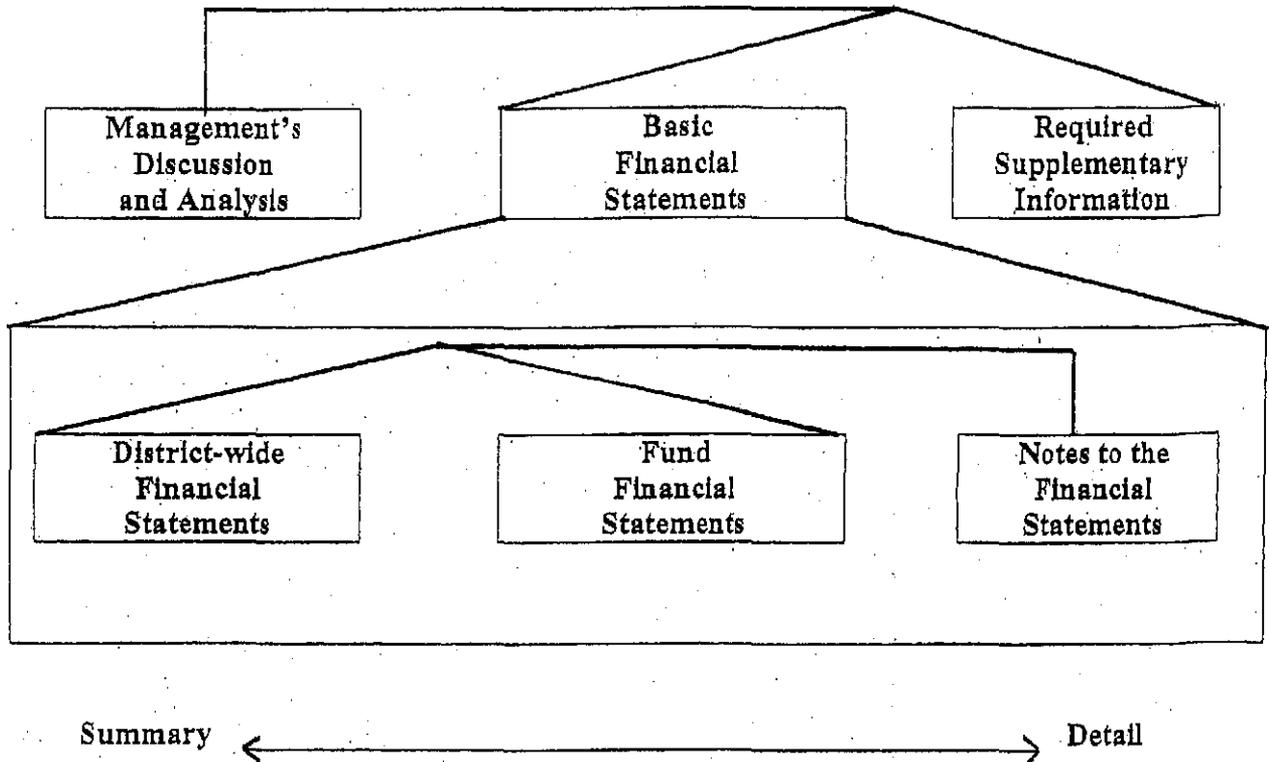


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net position  Statement of revenues, expenses and changes in fund net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
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, 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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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, Debt Service Fund and Capital Projects Fund.

The required financial statements for 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 proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliation 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 position at June 30, 2013 compared to June 30, 2012.

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$7,963,667	\$7,925,560	\$90,527	\$102,690	\$8,054,194	\$8,028,250	0.3%
Capital assets	8,587,607	8,154,939	56,151	42,203	8,643,758	8,197,142	5.4%
Total assets	<u>\$16,551,274</u>	<u>\$16,080,499</u>	<u>\$146,678</u>	<u>\$144,893</u>	<u>\$16,697,952</u>	<u>\$16,225,392</u>	2.9%
Long-term liabilities	\$3,460,740	\$5,461,359	\$7,192	\$-	\$3,467,932	\$5,461,359	-36.5%
Other liabilities	5,543,451	3,217,348	-	5,676	5,543,451	3,223,024	72.0%
Total liabilities	<u>\$9,004,191</u>	<u>\$8,678,707</u>	<u>\$7,192</u>	<u>\$5,676</u>	<u>\$9,011,383</u>	<u>\$8,684,383</u>	3.8%
Net assets:							
Net investment in capital assets	\$3,631,015	\$3,069,939	\$56,151	\$42,203	\$3,687,166	\$3,112,142	18.5%
Restricted	3,100,524	3,427,400	-	-	3,100,524	3,427,400	-9.5%
Unrestricted	815,544	904,453	83,335	97,014	898,879	1,001,467	-10.3%
Total net position	<u>\$7,547,083</u>	<u>\$7,401,792</u>	<u>\$139,486</u>	<u>\$139,217</u>	<u>\$7,686,569</u>	<u>\$7,541,009</u>	1.9%

The District's combined net position increased by nearly 1.9%, or approximately \$146,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$327,000, or 9.5% over the prior year.

Unrestricted net position – The part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$103,000, or 10.3%.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-4  
Changes in Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$858,996	\$887,881	\$225,342	\$246,079	\$1,084,338	\$1,133,960	-4.4%
Operating grants, contributions and restricted interest	970,879	890,977	102,472	97,168	1,073,351	988,145	8.6%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
<b>General revenues:</b>							
Property tax	2,389,313	2,435,175	-	-	2,389,313	2,435,175	-1.9%
Income surtax	198,289	169,214	-	-	198,289	169,214	17.2%
Statewide sales, service and use tax	527,705	549,328	-	-	527,705	549,328	-3.9%
Unrestricted state grants	3,394,192	3,187,535	-	-	3,394,192	3,187,535	6.5%
Unrestricted investment earnings	26,141	29,599	320	406	26,461	30,005	-11.8%
Other	52,423	65,182	-	-	52,423	65,182	-19.6%
<b>Total revenues</b>	<b>\$8,417,938</b>	<b>\$8,214,891</b>	<b>\$328,134</b>	<b>\$343,653</b>	<b>\$8,746,072</b>	<b>\$8,558,544</b>	<b>2.2%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$5,672,641	\$5,049,648	\$-	\$-	\$5,672,641	\$5,049,648	12.3%
Support services	2,287,714	2,210,113	-	-	2,287,714	2,210,113	3.5%
Non-instructional programs	-	-	327,865	316,756	327,865	316,756	3.5%
Other expenses	458,099	518,595	-	-	458,099	519,595	-11.7%
<b>Total expenses</b>	<b>\$8,418,454</b>	<b>\$7,778,356</b>	<b>\$327,865</b>	<b>\$316,756</b>	<b>\$8,746,319</b>	<b>\$8,095,112</b>	<b>4.7%</b>
<b>Change in net position</b>	<b>-\$516</b>	<b>\$436,535</b>	<b>\$269</b>	<b>\$26,897</b>	<b>-\$247</b>	<b>\$463,432</b>	<b>-99.9%</b>

In fiscal year 2013, property tax and unrestricted state grants account for 66.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$8.7 million, of which approximately \$8.4 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.2% increase in revenues and a 4.7% increase in expenses. Property tax decreased approximately \$46,000. The increase in expenses is related to an increase in instruction.

#### Governmental Activities

Revenues for governmental activities were \$8,417,938 and expenses were \$8,418,454 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-5**

**Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$5,672,641	\$5,049,648	12.3%	\$3,852,814	\$3,317,683	16.1%
Support services	2,287,714	2,210,113	3.5%	2,277,666	2,163,220	5.3%
Non-instructional programs	-	-	-	-	-	-
Other expenses	458,099	518,595	-11.7%	458,099	518,595	-11.7%
<b>Totals</b>	<b>\$8,418,454</b>	<b>\$7,778,256</b>	<b>8.2%</b>	<b>\$6,588,579</b>	<b>\$5,999,498</b>	<b>9.8%</b>

During the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,084,338.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$107,335.
- The net cost of governmental activities was financed with \$3,115,307 in property and other taxes and \$3,394,192 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$328,134 and expenses were \$327,865. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Denver 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 a combined fund balance of \$7,547,083 below last year's adjusted ending fund balance of \$7,547,599.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund adjusted balance decreased from \$1,582,784 to \$1,372,904, due in part to the increase in expenditures.
- The Debt Service Fund balance decreased from \$328,048 in fiscal 2012 to \$327,390 in fiscal 2013, due in part to the increase in the principal and interest payments.
- The Capital Projects Fund balance decreased during fiscal 2013. The District ended fiscal 2012 with a balance of \$2,589,462. Fiscal 2013 ended with a balance of \$2,377,089, due to the increase in transfer to Debt Service.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$139,217 at June 30, 2012 to \$139,486 at June 30, 2013, representing an increase of approximately 0.4%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$195,028 less than budgeted receipts, a variance of 2.2%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District's 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$8.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5.4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$480,617.

The original cost of the District's capital assets was \$15.36 million. Governmental funds account for \$15.27 million, with the remainder of \$0.09 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The increase was due to the childhood center and classroom remodel projects.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$211,600	\$211,600	\$-	\$-	\$211,600	\$211,600	-
Construction in process	77,127	-	-	-	77,127	-	100%
Buildings	7,096,389	6,960,704	-	-	7,096,389	6,960,704	1.9%
Improvements other than buildings	444,828	447,110	-	-	444,828	447,110	-0.6%
Furniture and equipment	757,663	535,525	56,151	42,203	813,814	577,728	40.8%
Totals	\$8,587,607	\$8,154,939	\$56,151	\$42,203	\$8,643,758	\$8,197,142	5.4%

### Long-Term Debt

At June 30, 2013, the District had \$4,956,592 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.3 million.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
Capital lease	\$166,592	\$-	100%
General obligation bonds	1,045,000	1,160,000	-10.0%
Revenue bonds	3,745,000	3,925,000	-4.6%
	\$4,956,592	\$5,085,000	-2.6%

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

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

- The District is anticipating increasing enrollment due to a new housing development in progress within the District. Enrollment decreased 17 students from 2012 to 2013. This will result in decreased state funding.

## **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 Brad Laures, Superintendent, Denver Community School District, 520 Lincoln Street, Denver IA 50622.

## **Basic Financial Statements**

## Denver Community School District

## Statement of Net Position

June 30, 2013

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,977,021	\$ 87,611	\$ 5,064,632
Receivables:			
Property tax:			
Delinquent	18,137	-	18,137
Succeeding year	2,452,884	-	2,452,884
Income surtax	177,393	-	177,393
Accounts	299,379	67	299,446
Due from other governments	38,853	-	38,853
Inventories	-	2,849	2,849
Capital assets, net of accumulated depreciation	8,587,607	56,151	8,643,758
<b>Total Assets</b>	<b>\$ 16,551,274</b>	<b>\$ 146,678</b>	<b>\$ 16,697,952</b>
<b>Liabilities</b>			
Accounts payable	\$ 461,461	\$ 523	\$ 461,984
Salaries and benefits payable	533,378	-	533,378
Accrued interest payable	13,017	-	13,017
Deferred revenue-succeeding year property tax	2,452,884	-	2,452,884
Deferred revenue-other	-	6,669	6,669
Long-term liabilities:			
Portion due within one year:			
Capital lease	81,984	-	81,984
Revenue bonds payable	185,000	-	185,000
General obligation bonds payable	115,000	-	115,000
Early retirement	42,500	-	42,500
Portion due after one year:			
Capital lease	84,608	-	84,608
Revenue bonds payable	3,560,000	-	3,560,000
General obligation bonds payable	930,000	-	930,000
Early retirement	51,000	-	51,000
Net OPEB liability	493,359	-	493,359
<b>Total Liabilities</b>	<b>\$ 9,004,191</b>	<b>\$ 7,192</b>	<b>\$ 9,011,383</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 3,631,015	\$ 56,151	\$ 3,687,166
Restricted for:			
Categorical funding	228,377	-	228,377
Management levy purposes	45,043	-	45,043
Physical plant and equipment	152,076	-	152,076
Student activities	122,625	-	122,625
Debt service	327,390	-	327,390
Capital projects	2,225,013	-	2,225,013
Unrestricted	815,544	83,335	898,879
<b>Total Net Position</b>	<b>\$ 7,547,083</b>	<b>\$ 139,486</b>	<b>\$ 7,686,569</b>

See notes to financial statements.

Denver Community School District

Statement of Activities

Year Ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,917,204	\$ 360,627	\$ 832,756	\$ -
Special instruction	980,363	196,565	117,934	-
Other instruction	775,074	298,054	13,891	-
	<u>\$ 5,672,641</u>	<u>\$ 855,246</u>	<u>\$ 964,581</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 188,738	\$ -	\$ 4,986	\$ -
Instructional staff services	284,501	-	-	-
Administration services	982,927	-	-	-
Operation and maintenance of plant services	612,579	3,750	1,312	-
Transportation services	218,969	-	-	-
	<u>\$ 2,287,714</u>	<u>\$ 3,750</u>	<u>\$ 6,298</u>	<u>\$ -</u>
Other Expenditures:				
Long-term debt interest	\$ 168,935	\$ -	\$ -	\$ -
AEA flow-through	289,164	-	-	-
	<u>\$ 458,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 8,418,454</u>	<u>\$ 858,996</u>	<u>\$ 970,879</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 327,865	\$ 225,342	\$ 102,472	\$ -
Total	<u>\$ 8,746,319</u>	<u>\$ 1,084,338</u>	<u>\$ 1,073,351</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,723,821	\$ -	\$ -2,723,821
-665,864	-	-665,864
-463,129	-	-463,129
<u>\$ -3,852,814</u>	<u>\$ -</u>	<u>\$ -3,852,814</u>
\$ -183,752	\$ -	\$ -183,752
-284,501	-	-284,501
-982,927	-	-982,927
-607,517	-	-607,517
-218,969	-	-218,969
<u>\$ -2,277,666</u>	<u>\$ -</u>	<u>\$ -2,277,666</u>
\$ -168,935	\$ -	\$ -168,935
-289,164	-	-289,164
<u>\$ -458,099</u>	<u>\$ -</u>	<u>\$ -458,099</u>
<u>\$ -6,588,579</u>	<u>\$ -</u>	<u>\$ -6,588,579</u>
\$ -	\$ -51	\$ -51
<u>\$ -6,588,579</u>	<u>\$ -51</u>	<u>\$ -6,588,630</u>

**Denver Community School District**

**Statement of Activities**

**Year Ended June 30, 2013**

	<u>Program Revenues</u>		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest

**General Revenues:**

Property Tax Levied For:  
  General purposes  
  Capital outlay  
  Debt service  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net position

Net position beginning of year, as restated (Note 13)

Prior Period Adjustment

Adjusted Net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,060,703	\$ -	\$ 2,060,703
178,314	-	178,314
150,296	-	150,296
198,289	-	198,289
527,705	-	527,705
3,394,192	-	3,394,192
26,141	320	26,461
52,423	-	52,423
<u>\$ 6,588,063</u>	<u>\$ 320</u>	<u>\$ 6,588,383</u>
\$ -516	\$ 269	\$ -247
\$ 7,571,006	\$ 139,217	\$ 7,710,223
<u>-23,407</u>	<u>-</u>	<u>-23,407</u>
<u>\$ 7,547,599</u>	<u>\$ 139,217</u>	<u>\$ 7,686,816</u>
<u>\$ 7,547,083</u>	<u>\$ 139,486</u>	<u>\$ 7,686,569</u>

## Denver Community School District

Balance Sheet  
Governmental Funds

June 30, 2013

	General	Capital Projects	Debt Service	Non-major	Total
<b>Assets</b>					
Cash and Pooled Investments	\$ 1,970,978	\$ 2,241,175	\$ 326,258	\$ 438,610	\$ 4,977,021
Receivables:					
Property Tax:					
Delinquent	14,139	1,344	1,132	1,522	18,137
Succeeding year	1,918,327	186,434	148,122	200,001	2,452,884
Income surtax	177,393	-	-	-	177,393
Accounts	122,401	173,427	-	3,551	299,379
Due from other governments	37,973	880	-	-	38,853
<b>Total Assets</b>	<b>\$ 4,241,211</b>	<b>\$ 2,603,260</b>	<b>\$ 475,512</b>	<b>\$ 643,684</b>	<b>\$ 7,963,667</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 239,209	\$ 39,737	\$ -	\$ 182,515	\$ 461,461
Salaries and benefits payable	533,378	-	-	-	533,378
Deferred Revenue:					
Succeeding year property tax	1,918,327	186,434	148,122	200,001	2,452,884
Other	177,393	-	-	-	177,393
<b>Total Liabilities</b>	<b>\$ 2,868,307</b>	<b>\$ 226,171</b>	<b>\$ 148,122</b>	<b>\$ 382,516</b>	<b>\$ 3,625,116</b>
Fund Balances:					
Restricted for:					
Categorical funding	\$ 228,377	\$ -	\$ -	\$ -	\$ 228,377
Debt service	-	-	327,390	-	327,390
Management levy purposes	-	-	-	138,543	138,543
Student activities	-	-	-	122,625	122,625
School infrastructure	-	2,225,013	-	-	2,225,013
Physical plant and equipment	-	152,076	-	-	152,076
Unassigned	1,144,527	-	-	-	1,144,527
<b>Total Fund Balance</b>	<b>\$ 1,372,904</b>	<b>\$ 2,377,089</b>	<b>\$ 327,390</b>	<b>\$ 261,168</b>	<b>\$ 4,338,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,241,211</b>	<b>\$ 2,603,260</b>	<b>\$ 475,512</b>	<b>\$ 643,684</b>	<b>\$ 7,963,667</b>

See notes to financial statements.

Denver Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Position

June 30, 2013

<b>Total fund balances of governmental funds (page 16)</b>	\$ 4,338,551
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	8,587,607
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	177,393
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	-13,017
Long-term liabilities, including bonds, notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the government funds	<u>-5,543,451</u>
<b>Net position of governmental activities (page 13)</b>	<u>\$ 7,547,083</u>

## Denver Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2013

	General	Capital Projects	Debt Service	Non-major	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 2,050,518	\$ 706,019	\$ 150,296	\$ 200,295	\$ 3,107,128
Tuition	534,615	-	-	-	534,615
Other	92,242	19,401	145	291,157	402,945
Intermediate sources	-	-	-	-	-
State sources	4,128,295	93,394	114	152	4,221,955
Federal sources	143,116	-	-	-	143,116
<b>Total Revenues</b>	<b>\$ 6,948,786</b>	<b>\$ 818,814</b>	<b>\$ 150,555</b>	<b>\$ 491,604</b>	<b>\$ 8,409,759</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 3,340,798	\$ -	\$ -	\$ 34,000	\$ 3,374,798
Special instruction	980,363	-	-	-	980,363
Other instruction	420,877	-	-	296,044	716,921
	<b>\$ 4,742,038</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 330,044</b>	<b>\$ 5,072,082</b>
<b>Support Services:</b>					
Student services	\$ 188,036	\$ -	\$ -	\$ -	\$ 188,036
Instructional staff services	289,815	372,511	-	-	662,326
Administration services	906,378	-	-	36,807	943,185
Operation and maintenance of plant services	550,947	21,692	-	61,464	634,103
Transportation services	192,288	-	-	-	192,288
	<b>\$ 2,127,464</b>	<b>\$ 394,203</b>	<b>\$ -</b>	<b>\$ 98,271</b>	<b>\$ 2,619,938</b>
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ 490,503	\$ -	\$ -	\$ 490,503
<b>Long-Term Debt:</b>					
Principal	-	-	461,757	-	461,757
Interest and fiscal charges	-	-	169,286	-	169,286
AEA flow-through	289,164	-	-	-	289,164
	<b>\$ 289,164</b>	<b>\$ 490,503</b>	<b>\$ 631,043</b>	<b>\$ -</b>	<b>\$ 1,410,710</b>
<b>Total Expenditures</b>	<b>\$ 7,158,666</b>	<b>\$ 884,706</b>	<b>\$ 631,043</b>	<b>\$ 428,315</b>	<b>\$ 9,102,730</b>
Excess (deficiency) of revenues over (under) expenditures	\$ -209,880	\$ -65,892	\$ -480,488	\$ 63,289	\$ -692,971
<b>Other financing sources (uses):</b>					
Capital lease proceeds	\$ -	\$ 333,349	\$ -	\$ -	\$ 333,349
Operating transfers in (out)	-	-479,830	479,830	-	-
<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -146,481</b>	<b>\$ 479,830</b>	<b>\$ -</b>	<b>\$ 333,349</b>
<b>Net change in fund balances</b>	<b>\$ -209,880</b>	<b>\$ -212,373</b>	<b>\$ -658</b>	<b>\$ 63,289</b>	<b>\$ -359,622</b>
Fund balances beginning of year	\$ 1,606,191	\$ 2,589,462	\$ 328,048	\$ 197,879	\$ 4,721,580
Prior period adjustment	-23,407	-	-	-	-23,407
<b>Adjusted beginning fund balances</b>	<b>\$ 1,582,784</b>	<b>\$ 2,589,462</b>	<b>\$ 328,048</b>	<b>\$ 197,879</b>	<b>\$ 4,698,173</b>
<b>Fund Balances End of Year</b>	<b>\$ 1,372,904</b>	<b>\$ 2,377,089</b>	<b>\$ 327,390</b>	<b>\$ 261,168</b>	<b>\$ 4,338,551</b>

See notes to financial statements.

Denver 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, 2013

Net change in fund balances – total governmental funds (page 18) \$ -359,622

*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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 905,522	
Depreciation expense	<u>-472,854</u>	432,668

Income surtax revenue not received until several month after the District’s fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 8,179

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	\$ -333,349	
Repaid	<u>461,757</u>	128,408

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. 351

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, as follows:

Early retirement	\$ -93,500	
Other postemployment benefits	<u>-117,000</u>	-210,500

Change in Net Position of Governmental Activities (page 15) \$ -516

## Denver Community School District

Statement of Net Position  
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 87,611
Accounts receivable	67
Inventories	2,849
Total Current Assets	<u>\$ 90,527</u>
<b>Non-Current Assets:</b>	
Capital assets, net of accumulated depreciation	\$ 56,151
<b>Total Assets</b>	<u>\$ 146,678</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 523
Deferred revenue – other	6,669
Total Current Liabilities	<u>\$ 7,192</u>
<b>Total Liabilities</b>	<u>\$ 7,192</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 56,151
Unrestricted	83,335
<b>Total Net Position</b>	<u>\$ 139,486</u>

See notes to financial statements.

**Denver Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**

**Year Ended June 30, 2013**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 225,342
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 100,835
Benefits	16,099
Purchased services	3,363
Supplies	196,051
Depreciation	7,763
Miscellaneous	3,754
Total operating expenses	<u>\$ 327,865</u>
Operating loss	<u>\$ -102,523</u>
Non-operating revenues:	
State sources	\$ 3,014
Federal sources	99,458
Interest income	320
Total non-operating revenues	<u>\$ 102,792</u>
Change in net position	\$ 269
Net position beginning of year	<u>139,217</u>
Net Position End of Year	<u>\$ 139,486</u>

See notes to financial statements.

Denver Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 226,419
Cash paid to employees for services	-116,934
Cash paid to suppliers for goods or services	-180,779
Net cash used by operating activities	<u>\$ -71,294</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,014
Federal grants received	80,256
Net cash provided by non-capital financing activities	<u>\$ 83,270</u>
Cash flow from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -21,711</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 320</u>
Net decrease in cash and cash equivalents	\$ -9,415
Cash and cash equivalents beginning of year	<u>97,026</u>
Cash and Cash Equivalents End of Year	<u>\$ 87,611</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -102,523
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	19,202
Depreciation	7,763
Decrease in inventories	2,664
Decrease in accounts receivable	84
Increase in deferred revenue	993
Increase in accounts payable	523
Net Cash Used by Operating Activities	<u>\$ -71,294</u>

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

During the year ended June 30, 2013, the District received \$19,202 of federal commodities.

Denver Community School District

Statement of Net Position  
Fiduciary Fund

June 30, 2013

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 319,638
<b>Total assets</b>	<u>\$ 319,638</u>
<b>Liabilities</b>	
Accounts payable	\$ -
<b>Total liabilities</b>	<u>\$ -</u>
<b>Net Position</b>	
Reserved for scholarships	<u>\$ 319,638</u>

See notes to financial statements.

**Denver Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

**Year Ended June 30, 2013**

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 2,766
Deductions:	
Support services:	
Scholarships awarded	\$ 4,000
Change in net position	\$ -1,234
Net position beginning of year	<u>320,872</u>
Net Position End of Year	<u>\$ 319,638</u>

## Denver Community School District

### Notes to Financial Statements

June 30, 2013

#### (1) Summary of Significant Accounting Policies

Denver Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Denver, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. 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, Denver 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. Denver Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Bremer County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 non-major 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 revenues 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 expenditures, 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 reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net position and changes in net position. 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.

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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditures toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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 represents 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 receivable and other receivables not collected within sixty days after year-end.

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

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

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

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

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.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2013, expenditures in the instruction and other expenditures functions exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio as follows:

	<u>Amortized Cost</u>
Total	<u>\$694,040</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$479,830</u>

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

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 211,600	\$ -	\$ -	\$ 211,600
Construction in process	-	77,127	-	77,127
Total capital assets not being depreciated	\$ 211,600	\$ 77,127	\$ -	\$ 288,727
Capital assets being depreciated:				
Buildings	\$ 9,234,570	\$ 337,473	\$ -	\$ 9,572,043
Improvements other than buildings	695,289	35,535	-	730,824
Furniture and equipment	4,220,331	455,387	-	4,675,718
Total capital assets being depreciated	\$ 14,150,190	\$ 828,395	\$ -	\$ 14,978,585
Less accumulated depreciation for:				
Buildings	\$ 2,273,866	\$ 201,788	\$ -	\$ 2,475,654
Improvements other than buildings	248,179	37,817	-	285,996
Furniture and equipment	3,684,806	233,249	-	3,918,055
Total accumulated depreciation	\$ 6,206,851	\$ 472,854	\$ -	\$ 6,679,705
Total capital assets being depreciated, net	\$ 7,943,339	\$ 355,541	\$ -	\$ 8,298,880
Governmental Activities Capital Assets, Net	\$ 8,154,939	\$ 432,668	\$ -	\$ 8,587,607

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 71,444	\$ 21,711	\$ -	\$ 93,155
Less accumulated depreciation	29,241	7,763	-	37,004
Business Type Activities Capital Assets, Net	\$ 42,203	\$ 13,948	\$ -	\$ 56,151

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular \$ 379,606

Other 58,153

Support services:

Operation and maintenance of plant 8,414

Transportation 26,681

Total Depreciation Expense – Governmental Activities \$ 472,854

Business Type Activities:

Food service operations \$ 7,763

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 1,160,000	\$ -	\$ 115,000	\$ 1,045,000	\$ 115,000
Early retirement	-	127,500	34,000	93,500	42,500
Net OPEB liability	376,359	117,000	-	493,359	-
Revenue bonds	3,925,000	-	180,000	3,745,000	185,000
Capital lease	-	333,349	166,757	166,592	81,984
Total	\$ 5,461,359	\$ 577,849	\$ 495,757	\$ 5,543,451	\$ 424,484

Capital Lease

The District entered into a Capital Lease for the purchase of computers from Apple for \$333,349 with four equal payments of \$87,315.13, with a 3.2% interest rate.

At June 30, 2013, the District has a balance of \$166,592.

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed ten years of full-time service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$25,500 to be paid over a three year period.

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Series 2010

Refunding Bond Issue of February 10, 2010					
Year Ending June 30,	Interest Rate	Principal	Interest	Total	
2014	2.10%	\$ 115,000	\$ 32,123	\$ 147,123	
2015	2.40%	120,000	29,707	149,707	
2016	2.70%	125,000	26,828	151,828	
2017	3.00%	130,000	23,452	153,452	
2018	3.20%	130,000	19,553	149,553	
2019	3.40%	135,000	15,393	150,393	
2020	3.60%	145,000	10,802	155,802	
2021	3.85%	145,000	5,582	150,582	
Total		\$ 1,045,000	\$ 163,440	\$ 1,208,440	

Revenue Bonds

Series 2010

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of September 15, 2010				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	1.50%	\$ 185,000	\$ 124,085	\$ 309,085
2015	1.80%	190,000	121,310	311,310
2016	2.10%	190,000	117,890	307,890
2017	2.40%	195,000	113,900	308,900
2018	2.70%	200,000	109,220	309,220
2019	3.00%	205,000	103,820	308,820
2020	3.20%	215,000	97,670	312,670
2021	3.35%	225,000	90,790	315,790
2022	3.50%	230,000	83,252	313,252
2023	3.60%	240,000	75,203	315,203
2024	3.70%	250,000	66,562	316,562
2025	3.85%	260,000	57,313	317,313
2026	4.00%	270,000	47,302	317,302
2027	4.05%	285,000	36,503	321,503
2028	4.10%	295,000	24,960	319,960
2029	4.15%	310,000	12,865	322,865
Total		\$ 3,745,000	\$ 1,282,645	\$ 5,027,645

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,320,000 of bonds issued in September 2010. The bonds were issued for the purpose of financing the construction of the addition to the school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable thru 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,027,645. For the current year, \$185,000 principal and \$126,335 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$620,963.

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

- a) \$325,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a 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.

During the year ended June 30, 2013, the District made principal, interest and fee payments totaling \$631,043.

**(6) 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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the years ended June 30, 2013, 2012 and 2011. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$373,679, \$288,104, and \$233,954, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 72 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, 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 the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	153,000
Interest on net OPEB obligation		17,000
Adjustment to annual required contribution		-14,000
Annual OPEB cost	\$	156,000
Contributions made		-39,000
Increase in net OPEB obligation	\$	117,000
Net OPEB obligation beginning of year		376,359
Net OPEB obligation end of year	\$	493,359

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$488,653 to the medical plan. Plan members eligible for benefits contributed \$18,565, or 3.6% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$135,000	8.14%	\$124,000
June 30, 2011	\$135,000	4.4%	\$253,118
June 30, 2012	\$135,000	8.9%	\$376,359
June 30, 2013	\$153,000	25.5%	\$493,359

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$936,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$936,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,391,229 and the ratio of the UAAL to covered payroll was 21.3%. As of June 30, 2013, 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 health care 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 Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$707.69 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

Denver Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$289,164 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Subsequent Events**

The District has evaluated subsequent events through February 19, 2014 which is the date that the financial statement were available to be issued.

**(11) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Dropout Prevention	\$ 137,312
Talented and Gifted	43,189
Teacher Salary Supplement	20,152
Core Curriculum	20,712
Professional Development	5,999
Teacher mentoring	63
At Risk	950
Total	<u>\$ 228,377</u>

**(12) Prior Period Adjustment**

The General Fund had a -\$23,407 prior period adjustment.

**(13) Restatement of Net Position**

The levy for the District's income surtaxes applicable to and collected during the year ended June 30, 2012 were levied and certified during the year ended June 30, 2011. Under the modified accrual basis of accounting as described in Note 1 to the financial statements, because those taxes were not collected within sixty days after year end for application to current obligations, those taxes were properly deferred in the fund financial statements. However, those taxes related directly to the fiscal year ended June 30, 2012 and should have been recognized as revenue in the District-wide financial statements which are prepared on the full accrual basis of accounting, as described in Note 1 to the financial statements.

The District has corrected this item for the year ended June 30, 2013 and the effects of this correction on the related financial statement item are as follows:

	Net Position, Governmental Activities
Balance as reported at June 30, 2012	\$ 7,401,792
Adjustments:	
Income surtax recognition	<u>169,214</u>
Balance as restated on July 1, 2012	<u>\$ 7,571,006</u>

**Required Supplementary Information**

**Denver Community School District**

**Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2013**

	<u>Governmental Funds Actual</u>	<u>Proprietary Fund Actual</u>
Receipts:		
Local sources	\$ 4,044,688	\$ 225,662
Intermediate sources	-	-
State sources	4,221,955	3,014
Federal sources	143,116	99,458
Total Receipts	<u>\$ 8,409,759</u>	<u>\$ 328,134</u>
Disbursements:		
Instruction	\$ 5,072,082	\$ -
Support services	2,619,938	-
Non-instructional programs	-	327,865
Other expenditures	1,410,710	-
Total Disbursements	<u>\$ 9,102,730</u>	<u>\$ 327,865</u>
Excess (deficiency) of revenue over (under) expenditures/expense	\$ -692,971	\$ 269
Other financing sources, net	<u>333,349</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>\$ -359,622</u>	<u>\$ 269</u>
Balances beginning of year	\$ 4,721,580	\$ 139,217
Prior period adjustment	<u>-23,407</u>	<u>-</u>
Adjusted balances beginning of year	<u>\$ 4,698,173</u>	<u>\$ 139,217</u>
Balances End of Year	<u>\$ 4,338,551</u>	<u>\$ 139,486</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount	Final To Actual Variance
\$	4,270,350	\$ 4,270,686	\$ -336
	-	2,000	-2,000
	4,224,969	4,255,900	-30,931
	242,574	404,335	-161,761
\$	8,737,893	\$ 8,932,921	\$ -195,028
\$	5,072,082	\$ 4,994,439	\$ -77,643
	2,619,938	2,784,541	164,603
	327,865	560,000	232,135
	1,410,710	1,161,044	-249,666
\$	9,430,595	\$ 9,500,024	\$ 69,429
\$	-692,702	\$ -567,103	\$ -125,599
	333,349	-307,335	640,684
\$	-359,353	\$ -874,438	\$ 515,085
\$	4,860,797	\$ 4,178,981	\$ 681,816
	-23,407	-	-23,407
\$	4,837,390	\$ 4,178,981	\$ 658,409
\$	4,478,037	\$ 3,304,543	\$ 1,173,494

**Denver Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2013**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 a 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. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

**Denver Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)**

**Required Supplementary Information**

**June 30, 2013**

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)
2010	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,092	25.7%
2011	July 1, 2009	\$-	\$794	\$794	0.0%	\$2,671	29.7%
2012	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,457	23.0%
2013	July 1, 2012	\$-	\$936	\$936	0.0%	\$4,391	21.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Supplementary Information**

## Denver Community School District

Combining Balance Sheet  
Non-Major Funds

June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 266,659	\$ 171,951	\$ 438,610
Receivables:			
Property Tax:			
Delinquent	1,522	-	1,522
Succeeding year	200,001	-	200,001
Accounts	-	3,551	3,551
<b>Total Assets</b>	<b>\$ 468,182</b>	<b>\$ 175,502</b>	<b>\$ 643,684</b>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 129,638	\$ 52,877	\$ 182,515
Deferred Revenue:			
Succeeding year property tax	200,001	-	200,001
Total liabilities	\$ 329,639	\$ 52,877	\$ 382,516
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 138,543	\$ -	\$ 138,543
Student activities	-	122,625	122,625
Total fund balances	\$ 138,543	\$ 122,625	\$ 261,168
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 468,182</b>	<b>\$ 175,502</b>	<b>\$ 643,684</b>

**Denver Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Funds**

**Year Ended June 30, 2013**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 200,295	\$ -	\$ 200,295
Other	5,235	285,922	291,157
State sources	152	-	152
Total Revenues	\$ 205,682	\$ 285,922	\$ 491,604
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 34,000	\$ -	\$ 34,000
Other instruction	-	296,044	296,044
Support Services:			
Administration service	36,807	-	36,807
Operation and maintenance of plant services	61,464	-	61,464
Total Expenditures	\$ 132,271	\$ 296,044	\$ 428,315
Excess (deficiency) of revenues over (under) expenditures	\$ 73,411	\$ -10,122	\$ 63,289
Fund balances beginning of year	65,132	132,747	197,879
Fund Balances End of Year	\$ 138,543	\$ 122,625	\$ 261,168

## Denver Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	
<b>Assets</b>				
Cash and pooled investments	\$ 1,604,140	\$ 155,547	\$ 481,488	\$ 2,241,175
Receivables:				
Property Tax:				
Delinquent	-	1,344	-	1,344
Succeeding year	-	186,434	-	186,434
Accounts	173,427	-	-	173,427
Due from other governments	-	-	880	880
<b>Total Assets</b>	<b>\$ 1,777,567</b>	<b>\$ 343,325</b>	<b>\$ 482,368</b>	<b>\$ 2,603,260</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 4,815	\$ 34,922	\$ 39,737
Deferred revenue:				
Succeeding year property tax	-	186,434	-	186,434
Total Liabilities	\$ -	\$ 191,249	\$ 34,922	\$ 226,171
<b>Fund Balances:</b>				
Restricted for:				
School infrastructure	\$ 1,777,567	\$ -	\$ 447,446	\$ 2,225,013
Physical plant and equipment	-	152,076	-	152,076
Total fund balances	\$ 1,777,567	\$ 152,076	\$ 447,446	\$ 2,377,089
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,777,567</b>	<b>\$ 343,325</b>	<b>\$ 482,368</b>	<b>\$ 2,603,260</b>

See accompanying independent auditor's report.

## Denver Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Project Accounts**

**Year Ended June 30, 2013**

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 527,705	\$ 178,314	\$ -	\$ 706,019
Other	11,505	812	7,084	19,401
State sources	93,258	136	-	93,394
Total Revenues	<u>\$ 632,468</u>	<u>\$ 179,262</u>	<u>\$ 7,084</u>	<u>\$ 818,814</u>
<b>Expenditures:</b>				
Support services:				
Instructional staff services	\$ 372,511	\$ -	\$ -	\$ 372,511
Operation and maintenance of plant service	21,692	-	-	21,692
Other Expenditures:				
Facilities acquisition	14,988	223,737	251,778	490,503
Total Expenditures	<u>\$ 409,191</u>	<u>\$ 223,737</u>	<u>\$ 251,778</u>	<u>\$ 884,706</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 223,277	\$ -44,475	\$ -244,694	\$ -65,892
<b>Other Financing Sources (Uses):</b>				
Operating transfers in (out), net	-479,830	-	-	-479,830
Capital lease proceeds	333,349	-	-	333,349
Total other financing sources (uses)	<u>\$ -146,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -146,481</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 76,796	\$ -44,475	\$ -244,694	\$ -212,373
Fund balances beginning of year	<u>1,700,771</u>	<u>196,551</u>	<u>692,140</u>	<u>2,589,462</u>
Fund Balances End of Year	<u>\$ 1,777,567</u>	<u>\$ 152,076</u>	<u>\$ 447,446</u>	<u>\$ 2,377,089</u>

See accompanying independent auditor's report.

## Denver Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Shop resale	\$ 947	\$ 289	\$ 1,683	\$ 1,649	\$ 1,202
Resale-High School	1,948	1,542	1,419	-	2,071
Resale-Art	4,638	-	852	1,017	4,803
Resale-Middle School	7,360	11,454	8,271	-3,300	7,243
Resale-Elementary	15,969	269	21,184	4,663	-283
Cyclone Achievement Club	-	1,717	1,374	500	843
Stem	-	3,575	2,677	-	898
Class of 2019	664	-	26	462	1,100
Class of 2013	1,841	-	718	-361	762
Class of 2014	1,560	2,344	4,450	1,880	1,334
Class of 2015	2,860	-	-	760	3,620
Class of 2016	2,800	40	20	820	3,640
Class of 2017	1,750	-	-	1,100	2,850
Class of 2018	700	-	-	1,100	1,800
Elementary Fundraising	9,878	52,616	57,155	-	5,339
High School book rent clearing	3,021	64,755	28,885	-38,122	769
Elementary music resale	236	-	-	-	236
Elementary School book rent clearing	-	89	7,473	7,384	-
Boys' basketball	3,780	5,526	4,680	1,650	6,276
Girls' basketball	2,955	7,836	5,202	700	6,289
Football	1,001	16,335	12,754	616	5,198
Baseball	751	7,532	9,363	330	-750
Track	3,497	7,789	11,690	404	-
Softball	270	4,140	4,339	-	71
Wrestling	3,338	8,976	8,840	-900	2,574
Middle School Student Council	581	-	164	-	417
Athletic	2,904	1,310	3,878	1,479	1,815
Cheerleaders	224	4,054	2,991	542	1,829
Golf	166	3,253	4,221	871	69
Volleyball	3,299	5,866	5,865	-	3,300
Soccer	5,301	11,146	11,844	-	4,603
Drama and Speech	1,885	995	1,905	1,964	2,939
Library	502	241	426	-	317
FFA-Farming Fund	3,836	-	-	-	3,836
Elementary Book Fair	2,077	9,709	11,119	-	667
Foods resale	105	1,491	3,836	2,660	420
Chemistry resale	2,680	-	2,684	3,584	3,580
Student Council	4,729	8,741	6,399	-500	6,571
Band Trip	291	27,202	25,619	-	1,874
Weightlifting Club	-	-	-	-	-
Bowling	988	-	-	-	988
Athletic Passes	4,137	1,290	6,174	1,485	738
Elementary Student Council	290	23	-	-	313
FB/BB Cheerleaders	-	1,699	327	358	1,730

## Denver Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2013

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Annual	\$ 15,382	\$ 7,275	\$ 9,724	\$ 6,165	\$ 19,098
Variety Show	3,205	866	637	-2,000	1,434
Vocal-miscellaneous	90	337	873	446	-
Instrumental-resale	1,001	2,651	3,840	1,552	1,364
Faculty-pop	1,143	-	213	-	930
Elementary-pop	187	-	-	-	187
FFA	5,971	-	250	-	5,721
Spanish Club	9	-	-	-9	-
Interest on investments	-	949	-	-949	-
<b>Total</b>	<b>\$ 132,747</b>	<b>\$ 285,922</b>	<b>\$ 296,044</b>	<b>\$ -</b>	<b>\$ 122,625</b>

**Denver Community School District**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds**

**For the Last Ten Years**

	Modified Accrual Basis			
	2013	2012	2011	2010
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 3,107,128	\$ 3,153,717	\$ 3,176,153	\$ 2,973,981
Tuition	534,615	517,403	352,120	288,515
Other	402,945	465,259	549,421	544,806
Intermediate sources	-	-	-	-
State sources	4,221,955	3,948,045	3,771,424	3,311,250
Federal sources	143,116	130,467	341,894	584,285
<b>Total</b>	<b>\$ 8,409,759</b>	<b>\$ 8,214,891</b>	<b>\$ 8,191,012</b>	<b>\$ 7,702,837</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,374,798	\$ 3,217,833	\$ 2,965,596	\$ 2,996,552
Special instruction	980,363	810,992	789,115	727,725
Other instruction	716,921	645,999	657,533	694,245
<b>Support services:</b>				
Student services	188,036	205,011	119,042	159,973
Instructional staff services	662,326	301,719	456,147	363,170
Administrative services	943,185	805,674	704,527	765,183
Operation and maintenance of plant services	634,103	662,683	649,342	537,463
Transportation services	192,288	189,395	186,195	155,917
Central support	-	-	-	-
<b>Other expenditures:</b>				
Facilities acquisition	490,503	1,053,024	2,479,433	371,742
<b>Long-term debt:</b>				
Principal	461,757	290,000	315,000	1,655,000
Interest and other charges	169,286	164,752	192,634	93,581
AEA flow-through	289,164	286,684	312,011	312,042
<b>Total</b>	<b>\$ 9,102,730</b>	<b>\$ 8,633,766</b>	<b>\$ 9,826,575</b>	<b>\$ 8,832,593</b>

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 2,836,746	\$ 2,742,036	\$ 2,638,013	\$ 2,479,070	\$ 2,312,518	\$ 2,241,025
319,980	302,552	256,412	247,457	235,216	198,142
547,095	618,348	496,796	391,681	401,736	473,627
-	-	-	-	-	-
3,703,472	3,407,490	3,232,168	3,015,176	2,900,896	2,780,478
102,092	112,564	111,071	104,002	127,944	95,905
\$ 7,509,385	\$ 7,182,990	\$ 6,734,460	6,237,386	\$ 5,978,310	\$ 5,789,177
\$ 3,107,861	\$ 2,842,539	\$ 2,650,020	\$ 2,627,832	\$ 2,584,094	\$ 2,330,395
779,266	544,017	594,378	520,020	589,854	552,746
577,790	592,176	474,420	462,179	432,110	417,883
196,920	188,491	153,884	155,666	131,146	101,108
303,097	417,825	229,246	225,114	180,569	175,904
757,126	767,571	751,016	671,170	824,229	677,200
612,537	541,190	619,722	528,619	542,440	423,467
132,004	159,182	157,240	143,171	153,815	214,464
-	-	-	-	-	61,000
133,195	167,991	122,091	489,904	816,730	860,706
175,000	165,000	155,000	150,000	145,000	135,000
82,537	88,560	93,830	98,480	102,168	105,505
259,671	234,836	215,089	202,498	198,578	198,928
\$	\$ 6,709,378	\$ 6,215,936	6,274,653	\$ 6,700,733	\$ 6,254,306

See accompanying independent auditor's report.

**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**

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  
Denver Community School District:

I have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denver Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 19, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Denver Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Denver Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Denver Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses and 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 misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-13 to be a significant deficiency.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

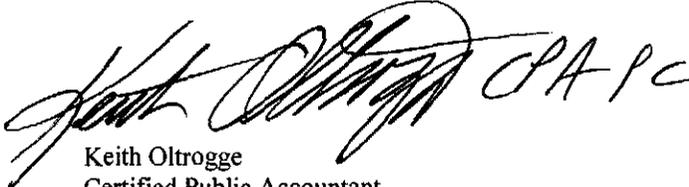
### Denver Community School District's Responses to Findings

Denver Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. Denver Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Keith Oltrogge  
Certified Public Accountant

February 19, 2014

Denver Community School District

Schedule of Findings

Year Ended June 30, 2013

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

I-B -13 Disbursements – Credit card purchases did not always have supporting receipts attached prior to a check being released for payment.

Recommendation – All disbursements should have adequate support by an invoice, receipt or other written documentation prior the check being released for payment.

Response – All future disbursements including credit card payments will have proper support.

Conclusion – Response accepted.

I-C-13 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2013

**Part II - Other Findings Related to Statutory Reporting:**

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the instruction and other expenditures functions.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-13 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-13 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.

II-D-13 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-13 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 the coverage is adequate for current operations.

II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments – 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 were noted.

II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2013

**Part II - Other Findings Related to Statutory Reporting (continued):**

II-K-13 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Pop Accounts, Book Rent Accounts and Resale Accounts.

Recommendation – The Student Activity Fund accounts should be reviewed. Accounts not meeting the criteria for co-curricular and extra-curricular activities in accordance with Chapter 298A.8 of the Code of Iowa should be closed to the General Fund or Enterprise Fund, as appropriate. Accounts used as temporary clearing accounts should be closed at the end of each fiscal year.

Response – These accounts are being phased out. These accounts will be re-allocated or spent on activity items in the future until expended fully.

Conclusion – Response accepted.

II-L-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather the supplement other funds.

According to proposed administrative rules, “Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2013**

**Part II - Other Findings Related to Statutory Reporting (continued):**

II-M-13 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. 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,700,771
Revenues/transfers in:		
Sales tax revenues	\$ 527,705	
Other local revenues	11,505	
School infrastructure supplemental amount	93,258	
Capital lease proceeds	333,349	965,817
		<u>\$ 2,666,588</u>
Expenditures/transfer out:		
Equipment	\$ 409,191	
Transfers to other funds:		
Debt service fund	479,830	889,021
		<u>\$ 1,777,567</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.636	\$ 620,963
Physical plant and equipment levy	0.794	119,512
Public educational and recreational levy	-	-

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2013**

**Part II - Other Findings Related to Statutory Reporting (continued):**

II-N-13 Form 1099 – The only 1099 forms prepared by the District were for early retirement payments.

Recommendation – The District should review the calendar year vendor history report for possible additional 1099s for independent contractor payments over \$600 to comply with federal regulations.

Response – We will review the vendor history list at year end and prepare 1099s as required.

Conclusion – Response accepted.

II-O-13 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.