

DENISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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## Denison Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Rod Bradley	President	2013
Kris Rowedder	Vice President	2015
Larry Andersen	Board Member	2013
Les Lewis	Board Member	2013
Mark Johnson	Board Member	2015
<b>(After September 2013 Election)</b>		
Rod Bradley	President	2017
Kris Rowedder	Vice President	2015
Mark Johnson	Board Member	2015
	(Deceased September 2013)	
Les Lewis	Board Member	2015
	(Appointed September 2013)	
Larry Anderson	Board Member	2017
Joe Lally	Board Member	2017
<b>School Officials</b>		
Mike Pardun	Superintendent	2014
Scott Larson	Business Manager	2014
Lori L. Ahart	Board Secretary	2014
Mundt, Franck and Schumacher	Attorney	2014

# **Denison Community School District**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District, Denison, Iowa, as of and for the year ended June 30, 2014, 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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we 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.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of June 30, 2014, 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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. We 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 our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denison Community School District's basic financial statements. We 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, 2013 and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 our 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, we have also issued our report dated January 20, 2015, on our consideration of Denison Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denison Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2015  
Newton, Iowa

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

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The Denison Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$20,802,278 in fiscal 2013 to \$22,154,669 in fiscal 2014, while General Fund expenditures increased from \$21,130,105 in fiscal 2013 to \$21,278,980 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$2,516,517 in fiscal 2013 to a balance of \$3,392,206 in fiscal 2014, a 34.80% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2014. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.
- The District's solvency ratio increased as compared to fiscal 2013. At June 30, 2013 the District's solvency ratio was 7.84% as compared to 13.08% at June 30, 2014.

### **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 Denison Community School District as a whole and present an overall view of the District's finances.

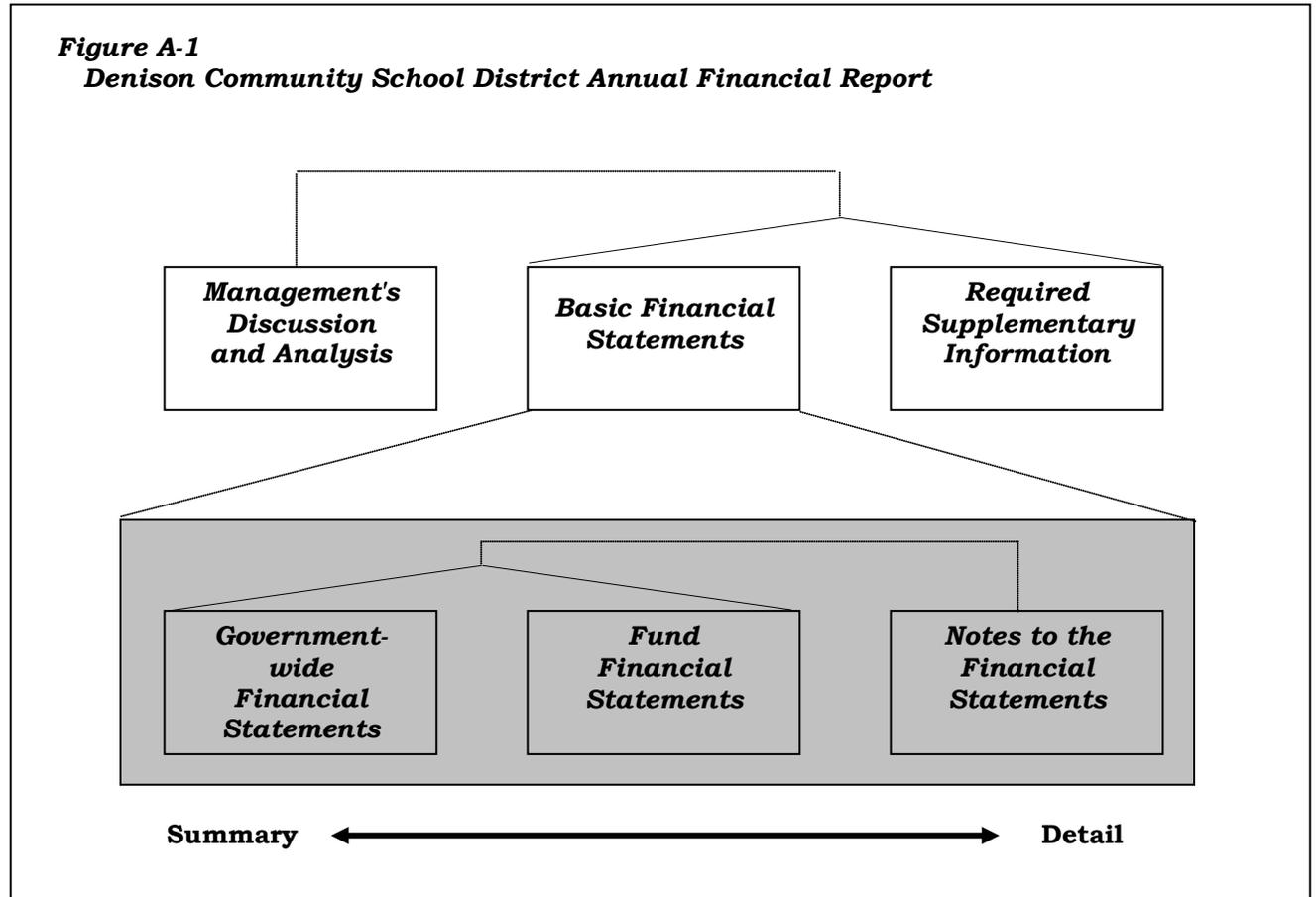
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Denison Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

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

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



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

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

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

The required financial statements for the proprietary funds include a statement of net 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 and Agency funds.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 18,063,114	16,589,826	640,753	575,164	18,703,867	17,164,990	8.97%
Capital assets	19,968,447	20,295,308	416,821	369,696	20,385,268	20,665,004	-1.35%
Total assets	38,031,561	36,885,134	1,057,574	944,860	39,089,135	37,829,994	3.33%
Long-term obligations	11,658,134	12,457,348	717	638	11,658,851	12,457,986	-6.41%
Other liabilities	2,349,140	2,321,566	63,749	17,893	2,412,889	2,339,459	3.14%
Total liabilities	14,007,274	14,778,914	64,466	18,531	14,071,740	14,797,445	-4.90%
Deferred inflows of resources	5,118,515	4,898,567	-	-	5,118,515	4,898,567	4.49%
Net position:							
Net investment in capital assets	11,599,424	11,165,308	416,821	369,696	12,016,245	11,535,004	4.17%
Restricted	4,000,461	3,948,521	-	-	4,000,461	3,948,521	1.32%
Unrestricted	3,305,887	2,093,824	576,287	556,633	3,882,174	2,650,457	46.47%
Total net position	\$ 18,905,772	17,207,653	993,108	926,329	19,898,880	18,133,982	9.73%

The District's total net position increased by 9.73%, or \$1,764,898, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 1.32%, or \$51,940, over the prior year. This increase in restricted net position is mainly attributable to the increase in the Capital Projects: Statewide Sales, Services and Use Fund balance.

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 - increased \$1,231,717, or 46.47%. The increase in unrestricted net position is mainly attributable to the increase in fund balance for the General Fund.

**Figure A-4** shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4  
Changes in Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Program revenues:							
Charges for services	\$ 1,760,903	1,958,133	364,368	469,534	2,125,271	2,427,667	-12.46%
Operating grants and contributions and restricted interest	2,727,603	2,275,004	1,137,088	1,005,434	3,864,691	3,280,438	17.81%
Capital grants and contributions and restricted interest	-	100,000	-	-	-	100,000	100.00%
General revenues:							
Property tax	4,813,079	4,568,264	-	-	4,813,079	4,568,264	5.36%
Income surtax	754,941	713,420	-	-	754,941	713,420	5.82%
Statewide sales, services and use tax	1,854,372	1,667,755	-	-	1,854,372	1,667,755	11.19%
Unrestricted state grants	13,340,920	12,803,017	-	-	13,340,920	12,803,017	4.20%
Unrestricted investment earnings	23,540	13,547	779	543	24,319	14,090	72.60%
Other	122,775	18,465	2,406	5,928	125,181	24,393	413.18%
Total revenues	25,398,133	24,117,605	1,504,641	1,481,439	26,902,774	25,599,044	5.09%
Program expenses:							
Governmental activities:							
Instructional	14,931,014	15,267,461	-	-	14,931,014	15,267,461	-2.20%
Support services	6,952,521	6,439,981	-	-	6,952,521	6,439,981	7.96%
Non-instructional programs	4,227	80	1,437,862	1,352,213	1,442,089	1,352,293	6.64%
Other expenses	1,812,252	1,766,025	-	-	1,812,252	1,766,025	2.62%
Total expenses	23,700,014	23,473,547	1,437,862	1,352,213	25,137,876	24,825,760	1.26%
Excess of revenues over expenditures	1,698,119	644,058	66,779	129,226	1,764,898	773,284	128.23%
Transfers	-	(100,000)	-	100,000	-	-	0.00%
Changes in net position	1,698,119	544,058	66,779	229,226	1,764,898	773,284	128.23%
Net position beginning of year	17,207,653	16,663,595	926,329	697,103	18,133,982	17,360,698	4.45%
Net position end of year	\$ 18,905,772	17,207,653	993,108	926,329	19,898,880	18,133,982	9.73%

In fiscal year 2014, property tax, income surtax and unrestricted state grants account for 74.45% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 99.79% of business type activities revenue.

The District's total revenues were approximately \$26.90 million of which approximately \$25.40 million was for governmental activities and approximately \$1.50 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.09% increase in revenues and a 1.26% increase in expenses. Property tax increased \$244,815 and statewide sales, services and use tax increased \$186,617 to fund increases in expenditures. The increase in expenses related to increases in negotiated salary and benefits

### Governmental Activities

Revenues for governmental activities were \$25,398,133 and expenses were \$23,700,014 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 14,931,014	15,267,461	-2.20%	11,351,857	11,888,754	-4.52%
Support services	6,952,521	6,439,981	7.96%	6,913,677	6,307,437	9.61%
Non-instructional	4,227	80	100.00%	4,227	80	5183.75%
Other expenses	1,812,252	1,766,025	2.62%	941,747	944,139	-0.25%
Totals	\$ 23,700,014	23,473,547	0.96%	19,211,508	19,140,410	0.37%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,760,903.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,727,603.
- The net cost of governmental activities was financed with \$4,813,079 in property tax, \$754,941 in income surtax, \$1,854,372 in statewide sales, services and use tax, \$13,340,920 in unrestricted state grants, \$23,540 in interest income and \$122,775 in other general revenues.

### Business type Activities

Revenues of the District's business type activity were \$1,504,641 and expenses were \$1,437,862. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income and federal and state reimbursements.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Denison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$10,130,267, above last year's ending fund balances of \$8,896,856. The primary reason for the increase in combined fund balances is because of the increase in fund balance in the General Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. The increase in salaries and benefits is one of the reasons for the increase in expenditures. Revenues in the General Fund increased by \$1,352,391 and expenses increased by \$148,875. The General Fund balance increased by \$875,689 to a balance of \$3,392,206.
- The Debt Service Fund balance decreased from \$4,677,511 at June 30, 2013 to a balance of \$4,634,762 at June 30, 2014. This District issued crossover refunding bonds during the fiscal year 2013. The District paid \$820,000 of principal on the Districts bonded indebtedness during the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund's increase in revenues was enough to offset the continued increase in food costs, and salaries and benefits. Overall, net position increased from \$926,329 at June 30, 2013 to \$993,108 at June 30, 2014, representing an increase of 7.21%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Denison Community School District amended its budget one time to reflect additional costs associated with personnel changes and utility costs.

The District's revenues were \$1,463,878 more than budgeted revenues, a variance of 5.75%. The most significant variance resulted from the District receiving more in state sources than what was originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$20,385,268, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.35% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$853,671.

The original cost of the District's capital assets was \$30,344,011. Governmental funds account for \$29,605,355 with the remainder of \$738,656 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,220,242 at June 30, 2014 as compared to \$1,006,943 at June 30, 2013. The increase was primarily the result of vehicle purchases during the year in addition to the District installing a phone system.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Land	\$ 191,680	191,680	-	-	191,680	191,680	0.00%
Buildings	18,104,085	18,548,937	-	-	18,104,085	18,548,937	-2.40%
Land improvements	869,261	917,444	-	-	869,261	917,444	-5.25%
Machinery and equipment	803,421	637,247	416,821	369,696	1,220,242	1,006,943	21.18%
Total	\$ 19,968,447	20,295,308	416,821	369,696	20,385,268	20,665,004	-1.35%

### Long-Term Debt

At June 30, 2014, the District had \$11,658,851 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$6,645,000 at June 30, 2014.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$4,825,000 at June 30, 2014.

The District has a Net OPEB liability of \$188,851 as of June 30, 2014. Governmental activities account for \$188,134 while business type activities account for \$717.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total Change June 30, 2013-14
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
General obligation bonds	\$ 6,645,000	6,865,000	-	-	6,645,000	6,865,000	-3.20%
Revenue bonds	4,825,000	5,425,000	-	-	4,825,000	5,425,000	-11.06%
Net OPEB liability	188,134	167,348	717	638	188,851	167,986	12.42%
Total	\$ 11,658,134	12,457,348	717	638	11,658,851	12,457,986	-6.41%

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

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

- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- The federally mandated Affordable Care Act will continue to add health care expenditures to the District. The District's cost for health benefits is a concern for future costs to the District and has resulted in a continued search for solutions to this issue.
- The District's certified enrollment in October of 2014, showed a decrease of -43.6 students. Increasing or at least maintaining enrollment in upcoming years will be necessary to help maintain the District's financial health.
- The Iowa Legislature has yet to set the State Supplemental Aid for fy16 or fy17. We are optimistic about the District's financial outlook because of prudent actions taken over the past five to six years. The District has positioned itself extremely well to withstand financial uncertainties at both the state and federal level.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Scott Larson, Business Manager, Denison Community School District, 819 North 16<sup>th</sup> Street, Denison, Iowa, 51442.

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 3,100,977	-	3,100,977
Other	7,607,446	603,990	8,211,436
Receivables:			
Property tax:			
Delinquent	44,010	-	44,010
Succeeding year	5,118,515	-	5,118,515
Income surtax	589,424	-	589,424
Accounts	50,437	6,499	56,936
Due from other governments	1,545,534	24,335	1,569,869
Inventories	6,771	5,929	12,700
Capital assets, net of accumulated depreciation	19,968,447	416,821	20,385,268
<b>TOTAL ASSETS</b>	<b>38,031,561</b>	<b>1,057,574</b>	<b>39,089,135</b>
<b>LIABILITIES</b>			
Accounts payable	226,542	37,757	264,299
Salaries and benefits payable	1,998,366	13,626	2,011,992
Accrued interest payable	124,232	-	124,232
Unearned revenue	-	12,366	12,366
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Revenue bonds payable	615,000	-	615,000
Portion due after one year:			
General obligation bonds payable	6,415,000	-	6,415,000
Revenue bonds payable	4,210,000	-	4,210,000
Net OPEB liability	188,134	717	188,851
<b>TOTAL LIABILITIES</b>	<b>14,007,274</b>	<b>64,466</b>	<b>14,071,740</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	5,118,515	-	5,118,515
<b>NET POSITION</b>			
Net investment in capital assets	11,599,424	416,821	12,016,245
Restricted for:			
Categorical funding	487,609	-	487,609
Management levy purposes	349,277	-	349,277
Student activities	178,582	-	178,582
School infrastructure	1,444,308	-	1,444,308
Physical plant and equipment	131,132	-	131,132
Debt service	1,409,553	-	1,409,553
Unrestricted	3,305,887	576,287	3,882,174
<b>TOTAL NET POSITION</b>	<b>\$ 18,905,772</b>	<b>993,108</b>	<b>19,898,880</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 8,459,961	863,212	288,880	(7,307,869)	-	(7,307,869)
Special	2,463,205	366,972	117,400	(1,978,833)	-	(1,978,833)
Other	4,007,848	530,719	1,411,974	(2,065,155)	-	(2,065,155)
	<u>14,931,014</u>	<u>1,760,903</u>	<u>1,818,254</u>	<u>(11,351,857)</u>	<u>-</u>	<u>(11,351,857)</u>
Support services:						
Student	627,864	-	26,170	(601,694)	-	(601,694)
Instructional staff	1,179,019	-	12,674	(1,166,345)	-	(1,166,345)
Administration	1,770,089	-	-	(1,770,089)	-	(1,770,089)
Operation and maintenance of plant	2,308,829	-	-	(2,308,829)	-	(2,308,829)
Transportation	1,066,720	-	-	(1,066,720)	-	(1,066,720)
	<u>6,952,521</u>	<u>-</u>	<u>38,844</u>	<u>(6,913,677)</u>	<u>-</u>	<u>(6,913,677)</u>
Non-instructional programs:						
Community service operations	4,227	-	-	(4,227)	-	(4,227)
Long-term debt interest	390,117	-	-	(390,117)	-	(390,117)
Other expenses:						
AEA flowthrough	870,505	-	870,505	-	-	-
Depreciation (unallocated)*	551,630	-	-	(551,630)	-	(551,630)
	<u>1,422,135</u>	<u>-</u>	<u>870,505</u>	<u>(551,630)</u>	<u>-</u>	<u>(551,630)</u>
Total governmental activities	23,700,014	1,760,903	2,727,603	(19,211,508)	-	(19,211,508)
Business type activities:						
Non-instructional programs:						
Nutrition services	1,437,862	364,368	1,137,088	-	63,594	63,594
Total	<u>\$ 25,137,876</u>	<u>2,125,271</u>	<u>3,864,691</u>	<u>(19,211,508)</u>	<u>63,594</u>	<u>(19,147,914)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 4,315,645	-	4,315,645
Debt service				375,138	-	375,138
Capital outlay				122,296	-	122,296
Income surtax				754,941	-	754,941
Statewide sales, services and use tax				1,854,372	-	1,854,372
Unrestricted state grants				13,340,920	-	13,340,920
Unrestricted investment earnings				23,540	779	24,319
Other				122,775	2,406	125,181
Total general revenues				<u>20,909,627</u>	<u>3,185</u>	<u>20,912,812</u>
Changes in net position				1,698,119	66,779	1,764,898
Net position beginning of year				<u>17,207,653</u>	<u>926,329</u>	<u>18,133,982</u>
Net position end of year				<u>\$ 18,905,772</u>	<u>993,108</u>	<u>19,898,880</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Debt			Total
	General	Service	Nonmajor	
<b>ASSETS</b>				
Cash and pooled investments:				
U.S. Treasury Securities on deposit with escrow agent	\$ -	3,100,977	-	3,100,977
Other	4,876,833	1,530,448	1,200,165	7,607,446
Receivables:				
Property tax:				
Delinquent	36,276	3,337	4,397	44,010
Succeeding year	4,255,044	374,749	488,722	5,118,515
Income surtax	589,424	-	-	589,424
Accounts	4,634	-	45,803	50,437
Due from other governments	657,834	-	887,700	1,545,534
Inventories	6,771	-	-	6,771
<b>TOTAL ASSETS</b>	<b>\$ 10,426,816</b>	<b>5,009,511</b>	<b>2,626,787</b>	<b>18,063,114</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 191,776	-	34,766	226,542
Salaries and benefits payable	1,998,366	-	-	1,998,366
Total liabilities	2,190,142	-	34,766	2,224,908
Deferred inflows of resources:				
Deferred revenue:				
Succeeding year property tax	4,255,044	374,749	488,722	5,118,515
Income surtax	589,424	-	-	589,424
Total deferred inflows of resources	4,844,468	374,749	488,722	5,707,939
Fund balances:				
Restricted for:				
Nonspendable	6,771	-	-	6,771
Categorical funding	487,609	-	-	487,609
Management levy purposes	-	-	349,277	349,277
Student activities	-	-	178,582	178,582
School infrastructure	-	-	1,444,308	1,444,308
Physical plant and equipment	-	-	131,132	131,132
Debt service	-	4,634,762	-	4,634,762
Unassigned	2,897,826	-	-	2,897,826
Total fund balances	3,392,206	4,634,762	2,103,299	10,130,267
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,236,674</b>	<b>5,009,511</b>	<b>2,626,787</b>	<b>15,838,206</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$ 10,130,267
 <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 in the governmental funds.	19,968,447
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.	589,424
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.	(124,232)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,658,134)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 18,905,772</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Debt Service	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 4,735,953	375,138	483,370	5,594,461
Tuition	1,191,601	-	-	1,191,601
Other	163,776	13,829	548,012	725,617
Intermediate sources	19,899	-	-	19,899
State sources	14,750,538	167	1,854,598	16,605,303
Federal sources	1,287,693	-	-	1,287,693
Total revenues	<u>22,149,460</u>	<u>389,134</u>	<u>2,885,980</u>	<u>25,424,574</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	8,222,557	-	250,248	8,472,805
Special	2,459,620	-	-	2,459,620
Other	3,485,590	-	534,786	4,020,376
	<u>14,167,767</u>	<u>-</u>	<u>785,034</u>	<u>14,952,801</u>
Support services:				
Student	624,052	-	3,000	627,052
Instructional staff	1,109,590	-	64,637	1,174,227
Administration	1,798,462	-	24,942	1,823,404
Operation and maintenance of plant	1,819,400	-	322,218	2,141,618
Transportation	884,977	-	182,403	1,067,380
	<u>6,236,481</u>	<u>-</u>	<u>597,200</u>	<u>6,833,681</u>
Non-instructional programs:				
Community service operations	4,227	-	-	4,227
Capital outlay	-	-	306,245	306,245
Long-term debt:				
Principal	-	820,000	-	820,000
Interest and fiscal charges	-	408,913	-	408,913
	<u>-</u>	<u>1,228,913</u>	<u>-</u>	<u>1,228,913</u>
Other expenditures:				
AEA flowthrough	870,505	-	-	870,505
Total expenditures	<u>21,278,980</u>	<u>1,228,913</u>	<u>1,688,479</u>	<u>24,196,372</u>
Excess(Deficiency) of revenues over(under) expenditures	870,480	(839,779)	1,197,501	1,228,202
Other financing sources(uses):				
Transfer in	-	797,030	-	797,030
Transfer out	-	-	(797,030)	(797,030)
Sale of equipment	5,209	-	-	5,209
Total other financing sources(uses)	<u>5,209</u>	<u>797,030</u>	<u>(797,030)</u>	<u>5,209</u>
Change in fund balance	875,689	(42,749)	400,471	1,233,411
Fund balance beginning of year	<u>2,516,517</u>	<u>4,677,511</u>	<u>1,702,828</u>	<u>8,896,856</u>
Fund balance end of year	<u>\$ 3,392,206</u>	<u>4,634,762</u>	<u>2,103,299</u>	<u>10,130,267</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds(page 22)** \$ 1,233,411

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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 and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 472,630	
Depreciation expense	<u>(799,491)</u>	(326,861)

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.	820,000
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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.	18,796
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Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	(26,441)
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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.	
Other postemployment benefits	<u>(20,786)</u>

**Change in net position of governmental activities(page 19)** \$ 1,698,119

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 603,990
Accounts receivable	6,499
Due from other governments	24,335
Inventories	5,929
Total current assets	640,753
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	416,821
Total non-current assets	416,821
<b>TOTAL ASSETS</b>	<b>1,057,574</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	37,757
Salaries and benefits payable	13,626
Unearned revenue	12,366
Total current liabilities	63,749
Long-term liabilities:	
Net OPEB liability	717
<b>TOTAL LIABILITIES</b>	<b>64,466</b>
<b>NET POSITION</b>	
Net investment in capital assets	416,821
Unrestricted	576,287
<b>TOTAL NET POSITION</b>	<b>\$ 993,108</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 364,368
Miscellaneous	2,406
TOTAL OPERATING REVENUES	366,774
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	466,083
Benefits	83,204
Services	16,044
Supplies	817,135
Other	7
Depreciation	54,180
TOTAL OPERATING EXPENSES	1,436,653
OPERATING LOSS	(1,069,879)
NON-OPERATING REVENUES(EXPENSES):	
Interest	779
State sources	12,543
Federal sources	1,124,545
Loss on asset disposal	(1,209)
TOTAL NON-OPERATING REVENUES(EXPENSES)	1,136,658
Change in net position	66,779
Net position beginning of year	926,329
Net position end of year	\$ 993,108

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 368,271
Cash received from miscellaneous operating activities	2,406
Cash payments to employees for services	(540,529)
Cash payments to suppliers for goods or services	(739,020)
Net cash used in operating activities	(908,872)
Cash flows from non-capital financing activities:	
State grants received	12,543
Federal grants received	1,041,500
Net cash provided by non-capital financing activities	1,054,043
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(102,514)
Cash flows from investing activities:	
Interest on investments	779
Net increase in cash and cash equivalents	43,436
Cash and cash equivalents at beginning of year	560,554
Cash and cash equivalents at end of year	\$ 603,990
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (1,069,879)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	58,710
Depreciation	54,180
Decrease in inventories	2,914
Increase in accounts receivable	(732)
Increase in accounts payable	32,542
Increase in salaries and benefits payable	8,679
Increase in unearned revenue	4,635
Increase in other postemployment benefits	79
Net cash used in operating activities	\$ (908,872)

**NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

During the year ended June 30, 2014, the District received Federal commodities valued at \$58,710.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 104,418
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	\$ 104,418

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 527
Contributions	52,907
TOTAL ADDITIONS	<u>53,434</u>
DEDUCTIONS:	
Instruction:	
Other:	
Scholarships awarded	<u>4,550</u>
Change in net position	48,884
Net position beginning of year	<u>55,534</u>
Net position end of year	<u>\$ 104,418</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

The Denison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Denison, Kiron and Deloit, Iowa, and the predominate agricultural territory of Crawford County and a small portion of rural Ida County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Denison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Denison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ida and Crawford County Assessors' Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's also reports one major proprietary fund which is the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net 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.

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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.

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

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

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

Nonspendable - Amounts that include inventory in the General Fund.

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

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

**E. Budgeting and Budgetary Control**

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$266 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates. At June 30, 2014, the District had investments in the U.S. Treasury Securities of \$3,100,977.

**(3) Interfund Transfers**

Transfers for the year ended June 30, 2014 are as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 797,030

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
General Obligation Bonds	\$ 6,865,000	-	220,000	6,645,000	230,000
Revenue Bonds	5,425,000	-	600,000	4,825,000	615,000
Net OPEB liability	167,348	20,786	-	188,134	-
Total	<u>\$ 12,457,348</u>	<u>20,786</u>	<u>820,000</u>	<u>11,658,134</u>	<u>845,000</u>
<b><u>Business type activities:</u></b>					
Net OPEB liability	\$ 638	79	-	717	-

**General Obligation Bonds Payable**

On March 13, 2013, the District issued \$3,160,000 of general obligation refunding bonds, with interest rates ranging from 3.85% to 4.13%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 2006. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$3,015,000 principal of the refunded general obligation bonds when they become callable on May 1, 2016 and the interest from November 1, 2013 to and including May 1, 2016 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the District's June 30, 2014 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2006				Bond Issue of March 13, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total	
2015	4.50 %	\$ 230,000	144,246	2.00 %	-	54,919	230,000	199,165	429,165	
2016	5.00	240,000	133,896	2.00	-	54,919	240,000	188,815	428,815	
2017	3.85	250,000	121,896	2.00	290,000	54,919	540,000	176,815	716,815	
2018	3.90	260,000	112,271	2.00	300,000	49,119	560,000	161,390	721,390	
2019	3.95	270,000	102,131	2.00	305,000	43,119	575,000	145,250	720,250	
2020-2024	4.00-4.13	1,530,000	339,559	4.00-4.13	1,590,000	142,218	3,120,000	481,777	3,601,777	
2025-2026	4.13	705,000	36,506	4.13	675,000	19,881	1,380,000	56,387	1,436,387	
Total		<u>\$ 3,485,000</u>	<u>990,505</u>		<u>\$ 3,160,000</u>	<u>419,094</u>	<u>6,645,000</u>	<u>1,409,599</u>	<u>8,054,599</u>	

**Revenue Bonds Payable**

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2010				
	Interest Rates		Principal	Interest	Total
2015	3.00	% \$	615,000	172,850	787,850
2106	3.00		195,000	160,700	355,700
2017	3.00		200,000	154,775	354,775
2018	3.00		210,000	148,625	358,625
2019	3.20		215,000	142,035	357,035
2020-2024	3.40-4.00		1,230,000	584,965	1,814,965
2025-2026	4.00-4.25		1,550,000	307,132	1,857,132
2030	4.50		610,000	19,350	629,350
Total			\$ 4,825,000	1,690,432	6,515,432

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,585,000 bonds issued July 1, 2010. The bonds were issued for the purpose of defeasement of \$2,235,000 in principal of the May 1, 2006 bond issue as well as defray costs of renovations of the Broadway Elementary building and construction of a new bus barn. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 43 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,515,432. For the current year \$600,000 in principal and \$191,075 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,854,372.

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

- a) \$578,387 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Business type activities:</u></b>				
Machinery and equipment	\$ 651,482	102,514	15,340	738,656
Less accumulated depreciation	281,786	54,180	14,131	321,835
Business type activities capital assets, net	\$ 369,696	48,334	1,209	416,821

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 191,680	-	-	191,680
Total capital assets not being depreciated	191,680	-	-	191,680
Capital assets being depreciated:				
Buildings	24,995,714	39,283	-	25,034,997
Land improvements	1,576,484	19,312	-	1,595,796
Machinery and equipment	2,642,387	414,035	273,540	2,782,882
Total capital assets being depreciated	29,214,585	472,630	273,540	29,413,675
Less accumulated depreciation for:				
Buildings	6,446,777	484,135	-	6,930,912
Land improvements	659,040	67,495	-	726,535
Machinery and equipment	2,005,140	247,861	273,540	1,979,461
Total accumulated depreciation	9,110,957	799,491	273,540	9,636,908
Total capital assets being depreciated, net	20,103,628	(326,861)	-	19,776,767
Governmental activities capital assets, net	\$ 20,295,308	(326,861)	-	19,968,447

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,448
Other	10,917
Support services:	
Instructional staff	4,175
Administration	16,266
Operation and maintenance	43,219
Transportation	149,836
	247,861
Unallocated depreciation	551,630
Total governmental activities depreciation expense	\$ 799,491
Business type activities:	
Food services	\$ 54,180

## (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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,234,665, \$1,158,263 and \$1,019,438, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer health plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 185 active and 25 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/ prescription drug benefit as active employees, which results in an implicit and explicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	200,296
Interest on net OPEB obligation		7,559
Adjustment to annual required contribution		(292)
Annual OPEB cost (expense)		<u>207,563</u>
Contributions made		<u>(186,698)</u>
Increase in net OPEB obligation		20,865
Net OPEB obligation - beginning of year		<u>167,986</u>
Net OPEB obligation - end of year	\$	<u><u>188,851</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2014.

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, 2014 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ (8,431)	-2384.1%	\$ 159,346
2013	201,108	95.7%	167,986
2014	207,563	89.9%	188,851

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$2.184 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.184 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.960 million, and the ratio of the UAAL to the covered payroll was 18.3%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 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 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage 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 probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2011 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2011.

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**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$870,505 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Limited english proficiency weighting	\$ 241,564
Talented and gifted	152,335
Teacher leadership grants	4,679
Successful progression for early readers	28,935
Statewide voluntary preschool	58,195
Destination graduation	1,901
Total	<u>\$ 487,609</u>

**(11) Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	4,634,762	2,897,826
Capital assets	19,968,447	-	-
Nonspendable balance	-	-	6,771
General obligation bond capitalized indebtedness	(3,544,023)	-	-
Revenue bond capitalized indebtedness	(4,825,000)	-	-
Escrow for crossover refunding bonds	-	(3,100,977)	-
Income surtax	-	-	589,424
Accrued interest payable	-	(124,232)	-
Net OPEB liability	-	-	(188,134)
Net position (Exhibit A)	<u>\$ 11,599,424</u>	<u>1,409,553</u>	<u>3,305,887</u>

**(12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

# **Denison Community School District**

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 7,511,679	367,553	7,879,232	9,170,754	9,170,754	(1,291,522)
Intermediate sources	19,899	-	19,899	20,000	20,000	(101)
State sources	16,605,303	12,543	16,617,846	14,364,583	14,364,583	2,253,263
Federal sources	1,287,693	1,124,545	2,412,238	1,910,000	1,910,000	502,238
<b>Total revenues</b>	<b>25,424,574</b>	<b>1,504,641</b>	<b>26,929,215</b>	<b>25,465,337</b>	<b>25,465,337</b>	<b>1,463,878</b>
<b>Expenditures/Expenses:</b>						
Instruction	14,952,801	-	14,952,801	15,660,000	15,660,000	707,199
Support services	6,833,681	-	6,833,681	6,465,000	6,965,000	131,319
Non-instructional programs	4,227	1,437,862	1,442,089	1,700,000	1,700,000	257,911
Other expenditures	2,405,663	-	2,405,663	2,774,000	2,774,000	368,337
<b>Total expenditures/expenses</b>	<b>24,196,372</b>	<b>1,437,862</b>	<b>25,634,234</b>	<b>26,599,000</b>	<b>27,099,000</b>	<b>1,464,766</b>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,228,202	66,779	1,294,981	(1,133,663)	(1,633,663)	2,928,644
Other financing sources, net	5,209	-	5,209	5,000	5,000	209
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,233,411	66,779	1,300,190	(1,128,663)	(1,628,663)	2,928,853
Balance beginning of year	8,896,856	926,329	9,823,185	7,249,109	7,249,109	2,574,076
Balance end of year	\$ 10,130,267	993,108	11,123,375	6,120,446	5,620,446	5,502,929

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$500,000.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,810	\$ 1,810	0.00 %	\$ 9,330	19.4 %
2011	July 1, 2008	-	1,810	1,810	0.00	8,837	20.5
2012	July 1, 2010	-	1,717	1,717	0.00	10,092	17.0
2013	July 1, 2012	-	2,184	2,184	0.00	10,596	20.6
2014	July 1, 2012	-	2,184	2,184	0.00	11,960	18.3

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Capital Projects	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 346,780	141,237	488,017	712,148	1,200,165
Receivables:					
Property tax:					
Delinquent	3,309	-	3,309	1,088	4,397
Succeeding year	360,001	-	360,001	128,721	488,722
Accounts	-	45,803	45,803	-	45,803
Due from other governments	-	-	-	887,700	887,700
<b>TOTAL ASSETS</b>	<b>\$ 710,090</b>	<b>187,040</b>	<b>897,130</b>	<b>1,729,657</b>	<b>2,626,787</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 812	8,458	9,270	25,496	34,766
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	360,001	-	360,001	128,721	488,722
Fund balances:					
Restricted for:					
Management levy purposes	349,277	-	349,277	-	349,277
Student activities	-	178,582	178,582	-	178,582
School infrastructure	-	-	-	1,444,308	1,444,308
Physical plant and equipment	-	-	-	131,132	131,132
Total fund balances	349,277	178,582	527,859	1,575,440	2,103,299
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 710,090</b>	<b>187,040</b>	<b>897,130</b>	<b>1,729,657</b>	<b>2,626,787</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Capital Projects	Total
REVENUES:					
Local sources:					
Local tax	\$ 361,074	-	361,074	122,296	483,370
Other	13,764	530,719	544,483	3,529	548,012
State sources	172	-	172	1,854,426	1,854,598
Total revenues	<u>375,010</u>	<u>530,719</u>	<u>905,729</u>	<u>1,980,251</u>	<u>2,885,980</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	148,591	-	148,591	101,657	250,248
Other	-	534,786	534,786	-	534,786
Support services:					
Student	3,000	-	3,000	-	3,000
Instructional staff	5,750	-	5,750	58,887	64,637
Administration	23,063	-	23,063	1,879	24,942
Operation and maintenance of plant	193,373	-	193,373	128,845	322,218
Transportation	38,169	-	38,169	144,234	182,403
Capital outlay	-	-	-	306,245	306,245
Total expenditures	<u>411,946</u>	<u>534,786</u>	<u>946,732</u>	<u>741,747</u>	<u>1,688,479</u>
Excess(Deficiency) of revenues over(under) expenditures	(36,936)	(4,067)	(41,003)	1,238,504	1,197,501
Other financing uses:					
Transfer out	-	-	-	(797,030)	(797,030)
Change in fund balances	(36,936)	(4,067)	(41,003)	441,474	400,471
Fund balances beginning of year	<u>386,213</u>	<u>182,649</u>	<u>568,862</u>	<u>1,133,966</u>	<u>1,702,828</u>
Fund balances end of year	<u>\$ 349,277</u>	<u>178,582</u>	<u>527,859</u>	<u>1,575,440</u>	<u>2,103,299</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 582,104	130,044	712,148
Receivables:			
Property tax:			
Delinquent	-	1,088	1,088
Succeeding year	-	128,721	128,721
Due from other governments	887,700	-	887,700
<b>TOTAL ASSETS</b>	<b>\$ 1,469,804</b>	<b>259,853</b>	<b>1,729,657</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 25,496	-	25,496
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	128,721	128,721
Fund balances:			
Restricted for:			
School infrastructure	1,444,308	-	1,444,308
Physical plant and equipment	-	131,132	131,132
Total fund balances	1,444,308	131,132	1,575,440
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,469,804</b>	<b>259,853</b>	<b>1,729,657</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	122,296	122,296
Other	2,322	1,207	3,529
State sources	1,854,372	54	1,854,426
Total revenues	<u>1,856,694</u>	<u>123,557</u>	<u>1,980,251</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	39,031	62,626	101,657
Support services:			
Instructional staff	7,578	51,309	58,887
Administration	1,879	-	1,879
Operation and maintenance of plant	117,763	11,082	128,845
Transportation	144,234	-	144,234
Capital outlay	289,250	16,995	306,245
Total expenditures	<u>599,735</u>	<u>142,012</u>	<u>741,747</u>
Excess(Deficiency) of revenues over(under) expenditures	1,256,959	(18,455)	1,238,504
Other financing uses:			
Transfer out	(797,030)	-	(797,030)
Change in net position	459,929	(18,455)	441,474
Net position beginning of year	<u>984,379</u>	<u>149,587</u>	<u>1,133,966</u>
Net position end of year	<u>\$ 1,444,308</u>	<u>131,132</u>	<u>1,575,440</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 4,154	64	2,062	2,156
Drama rental	370	115	-	485
Vocal	34	13,082	13,116	-
Instrumental	-	32,645	19,685	12,960
MS band	802	4,748	2,149	3,401
Athletics	58,371	127,938	138,429	47,880
Cross country	5	3,327	3,332	-
Art club	623	562	-	1,185
Baseball club	11,610	25,352	26,602	10,360
Basketball club	797	14,120	14,917	-
Football club	5,729	11,770	12,509	4,990
World language club	333	1	-	334
Boys golf club	3,042	2,006	1,640	3,408
Girl golf club	173	649	648	174
Health career club	2,504	809	469	2,844
Industrial arts club	912	52	43	921
Softball club	818	12,403	5,610	7,611
Boys tennis club	278	8,919	9,197	-
Girls tennis club	1,249	2,084	2,171	1,162
Track club	-	1,758	1,229	529
Volleyball club	3,951	6,571	8,256	2,266
Wrestling club	501	6,979	5,501	1,979
Boys soccer	1,297	1,523	1,394	1,426
Fitness center	211	-	-	211
Girls soccer	1,664	2,584	2,156	2,092
National honor society	902	202	183	921
Activity ticket	-	9,673	9,655	18
Academic decathlon	53	785	838	-
Girls basketball	930	6,657	6,684	903
Business 2000	1,398	1	614	785
Cheerleaders	455	5,626	5,447	634
Concessions	1,003	46,553	47,556	-
Elementary activity	13,060	8,371	17,694	3,737
FCA	288	1	289	-
FFA	14,033	58,871	57,504	15,400
Bowling club	445	1,247	1,306	386
Insufficient checks	-	247	247	-
FCCLA	3,785	1,211	1,124	3,872
Interest	-	283	283	-
MS activity	6,847	34,352	35,522	5,677
Destination imagination	2,633	5	2,638	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS pop fund	-	5,429	5,429	-
Student ambassador	421	469	890	-
Student senate	18,101	27,892	25,423	20,570
Yearbook	-	987	-	987
Girls track	614	981	1,595	-
High school	793	1	794	-
Purple Pride	610	612	786	436
MS concessions	-	5,913	5,913	-
Mariachi Band	-	3,708	3,422	286
Musical	-	5,654	5,654	-
Forensics	-	3,676	3,676	-
Broadway elementary	10,873	4,335	7,399	7,809
Key club	2,781	4,211	6,808	184
Class of 2014	3,196	3,471	6,667	-
Class of 2015	-	9,234	1,631	7,603
Total	\$ 182,649	530,719	534,786	178,582

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Riggleman Scholarship	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 20,462	3,740	12,406	67,810	104,418
<b>LIABILITIES</b>	-	-	-	-	-
<b>NET POSITION</b>					
Restricted for scholarships	\$ 20,462	3,740	12,406	67,810	104,418

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Riggleman Scholarship	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ADDITIONS:					
Local sources:					
Interest	\$ 12	-	78	437	527
Contributions	1,604	4,274	-	47,029	52,907
TOTAL ADDITIONS	1,616	4,274	78	47,466	53,434
DEDUCTIONS:					
Instruction:					
Other:					
Scholarships awarded	1,750	2,300	200	300	4,550
Change in net position	(134)	1,974	(122)	47,166	48,884
Net position beginning of year	20,596	1,766	12,528	20,644	55,534
Net position end of year	\$ 20,462	3,740	12,406	67,810	104,418

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 9,377	34,292	43,669	-
<b>LIABILITIES</b>				
Accounts payable	\$ 3,352	18,956	22,308	-
Due to other groups	6,025	15,336	21,361	-
<b>TOTAL LIABILITIES</b>	<b>\$ 9,377</b>	<b>34,292</b>	<b>43,669</b>	<b>-</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 5,594,461	6,899,383	6,307,916	5,875,127	5,503,479	5,160,031	4,960,166	4,762,011	4,242,492	4,188,725
Tuition	1,191,601	1,225,767	1,341,712	971,269	1,030,918	1,048,663	1,051,805	1,089,459	949,792	970,408
Other	725,617	764,378	765,029	1,136,461	623,548	754,469	1,067,344	1,302,002	1,111,703	881,057
Intermediate sources	19,899	21,921	15,065	25,929	16,097	70,023	9,591	-	1,495	1,500
State sources	16,605,303	13,900,935	13,020,548	12,024,178	10,404,882	11,219,111	10,694,202	10,072,320	9,484,543	8,598,370
Federal sources	1,287,693	1,255,165	1,108,722	2,934,468	2,544,259	1,362,619	1,149,172	1,472,722	1,132,611	1,439,305
<b>Total</b>	<b>\$ 25,424,574</b>	<b>24,067,549</b>	<b>22,558,992</b>	<b>22,967,432</b>	<b>20,123,183</b>	<b>19,614,916</b>	<b>18,932,280</b>	<b>18,698,514</b>	<b>16,922,636</b>	<b>16,079,365</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 8,472,805	9,052,251	8,244,860	7,188,488	7,422,924	7,054,027	6,720,642	5,746,997	5,737,369	5,517,950
Special	2,459,620	2,502,128	2,422,224	2,074,679	2,045,282	2,116,784	2,049,794	1,797,185	1,876,874	2,271,519
Other	4,020,376	3,723,720	3,252,025	3,886,528	3,016,204	2,855,764	2,480,169	2,935,405	2,494,860	1,936,036
<b>Support services:</b>										
Student	627,052	654,645	693,105	601,621	583,261	561,680	578,550	497,592	499,623	434,464
Instructional staff	1,174,227	920,688	761,608	975,503	646,862	705,866	864,107	596,334	502,824	365,182
Administration	1,823,404	1,789,955	1,692,272	1,725,304	1,572,611	1,611,937	1,483,141	1,407,915	1,427,585	1,266,606
Operation and maintenance of plant	2,141,618	1,918,702	1,849,476	1,756,679	1,581,389	1,622,136	1,650,339	1,387,985	1,299,206	1,341,401
Transportation	1,067,380	1,079,780	1,066,428	741,042	786,589	729,187	823,859	730,200	706,862	671,070
Non-instructional programs	4,227	80	-	-	-	-	-	-	-	1,978
<b>Other expenditures:</b>										
Facilities acquisitions	306,245	462,660	591,842	4,686,821	677,074	749,239	4,012,528	6,584,913	1,564,374	970,744
<b>Long-term debt:</b>										
Principal	820,000	795,000	775,000	195,000	690,000	744,156	683,615	460,000	-	-
Interest and fiscal charges	408,913	394,218	399,271	343,446	297,096	333,643	350,465	315,641	97	-
AEA flow-through	870,505	821,886	789,480	813,046	780,684	673,787	632,819	600,363	573,992	533,042
<b>Total</b>	<b>\$ 24,196,372</b>	<b>24,115,713</b>	<b>22,537,591</b>	<b>24,988,157</b>	<b>20,099,976</b>	<b>19,758,206</b>	<b>22,330,028</b>	<b>23,060,530</b>	<b>16,683,666</b>	<b>15,309,992</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 206,524
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	829,812 *
SUMMER FOOD SERVICE PROGRAM	10.559	FY 14	24,335
			<u>1,060,671</u>
 FRESH FRUIT AND VEGETABLE PROGRAM	 10.582	 FY 14	 <u>63,874</u>
 U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	651,567
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	125,426
TITLE I SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	29,383
			<u>806,376</u>
 MIGRANT EDUCATION - STATE GRANT PROGRAM	 84.011	 FY 13	 92,065
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 14	26,022
			<u>118,087</u>
 GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	 84.334	 FY 14	 <u>8,266</u>
 IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	 84.367	 FY 14	 <u>63,344</u>
 GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	 84.369	 FY 14	 <u>12,007</u>
 CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	 84.048	 FY 14	 <u>24,868</u>
 AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 14	115,451
 ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	 84.365	 FY 14	 <u>137,176</u>
 DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
	93.938	FY 14	<u>170</u>
 TOTAL			 <u>\$ 2,410,290</u>

\* - Includes \$58,710 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Denison Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2015.

**Internal Control Over Financial Reporting**

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

Our 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a 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. We noted no deficiencies that we considered to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Denison Community School District's Responses to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2015  
Newton, Iowa

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

**Independent Auditor's Report on Compliance**  
**for Each Major Federal Program, on Internal Control over Compliance**  
**Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Denison Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Denison Community School District's major federal programs for the year ended June 30, 2014. Denison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Denison Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Denison Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Denison Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

The management of Denison Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Denison Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

Denison Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Denison Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 20, 2015  
Newton, Iowa

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:***
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559: Summer Food Service Program
  
    - CFDA Number 84.010 - Title I - Schools in Need of Assistance (SINA)
    - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Denison Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.

- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We 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 utilizing current personnel, including elected officials.

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

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs For Federal Awards:**

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

#### **INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program and  
 CFDA Number 10.555: National School Lunch Program  
 CFDA Number 10.559: Summer Food Service Program  
 Federal Award Year: 2014  
 U.S. Department of Agriculture  
 Passed through the Iowa Department of Education

CFDA Number 84.010: Title I - Schools in Need of Assistance (SINA)  
 CFDA Number 84.010: Title I - Grants to Local Educational Agencies  
 Federal Award Year: 2014  
 U.S. Department of Education  
 Passed through the Iowa Department of Education

III-A-14 (2014-001) Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

- 8) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We 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 utilizing current personnel, including elected officials.

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

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
- IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-14 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted. However, the District did not meet the October 15<sup>th</sup> deadline for certifying enrollment for the fall of 2013 count date as required by Iowa Code 257.6 (7b).

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter and ensure that enrollment is certified on time to be in compliance with Iowa Code 257.6 (7b).

Response - The District will certify the enrollment in a timely manner going forward.

Conclusion - Response accepted.

- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 984,379
Revenues:		
Sales tax revenues	\$ 1,854,372	
Other local revenues	2,322	1,856,694
		2,841,073
Expenditures/transfer out:		
School infrastructure construction	205,360	
Equipment	381,993	
Other	12,382	
Transfer to another fund:		
Debt service fund	797,030	1,396,765
		1,396,765
Ending balance		\$ 1,444,308

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-14 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted revenues and expenditures that do not appear to be related to cocurricular or extracurricular activities.

**Instructional Items Purchased:** We noted the purchase of Student Planners from the Student Activity Fund. These would appear to be instructional in nature and would be more appropriately accounted for in a different fund. It was noted the purchase of staff clothing with the staff members reimbursing the District through the Student Activity Fund. This does not appear to be related to the cocurricular or extracurricular activities of the District and would appear to be more appropriate to a different fund.

Recommendation - The District should review the propriety of expenditures that are recorded in the Student Activity Fund. It would appear that the Student Planners are more instructional in nature and would be more appropriately handled in the General Fund. The staff clothing does not appear to be related to the cocurricular or extracurricular activities of the District and would be more appropriate to a different fund.

Response - Student Planners will be purchased from the General Fund going forward.

Conclusion - Response accepted.

**Revenues:** We noted the District recorded rent into the Student Activity Fund for hosting regional and district events. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

We noted instances of Box Tops for Education being deposited into the Student Activity Fund. Donations should be expended according to donor request. Box Tops for Education appears to be intended for the purchase of instructional items and would appear to be more appropriate to a different fund.

Recommendation - The District should review the propriety of revenues in the Student Activity Fund to determine the appropriateness and if the transactions would be better accounted for in a different fund.

Response - Rent for hosting regional and district events will be receipted to the General Fund. Box Tops for Education donations will be receipted to the General Fund as well.

Conclusion - Response accepted.