

Denver Community School District

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

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
Denver Community School District:

Report on the Financial Statements

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

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

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

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

Opinions

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

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

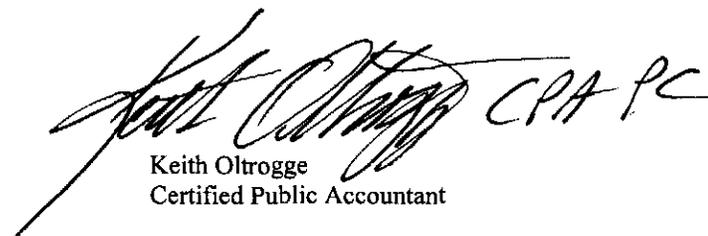
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 18, 2015 on my consideration of Denver Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denver Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

February 18, 2015

Denver Community School District
Management's Discussion and Analysis
Year ended June 30, 2014

Denver Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,948,786 in fiscal 2013 to \$6,975,196 in fiscal 2014, while General Fund expenditures increased from \$7,158,666 in fiscal 2013 to \$7,323,289 in fiscal 2014. The District's General Fund adjusted balance decreased from \$1,365,460 in fiscal 2013 to \$1,017,367 in fiscal 2014, a 25.5% decrease.
- The increase in General Fund revenues was attributable to an increase in local revenue in fiscal 2014. The increase in expenditures was due primarily to an increase in instruction and supportive services costs.
- The District's solvency ratio decreased from 16.0% in 2013 to 11.2% in fiscal 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Denver Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

Figure A-1
Denver Community School District Annual Financial Report

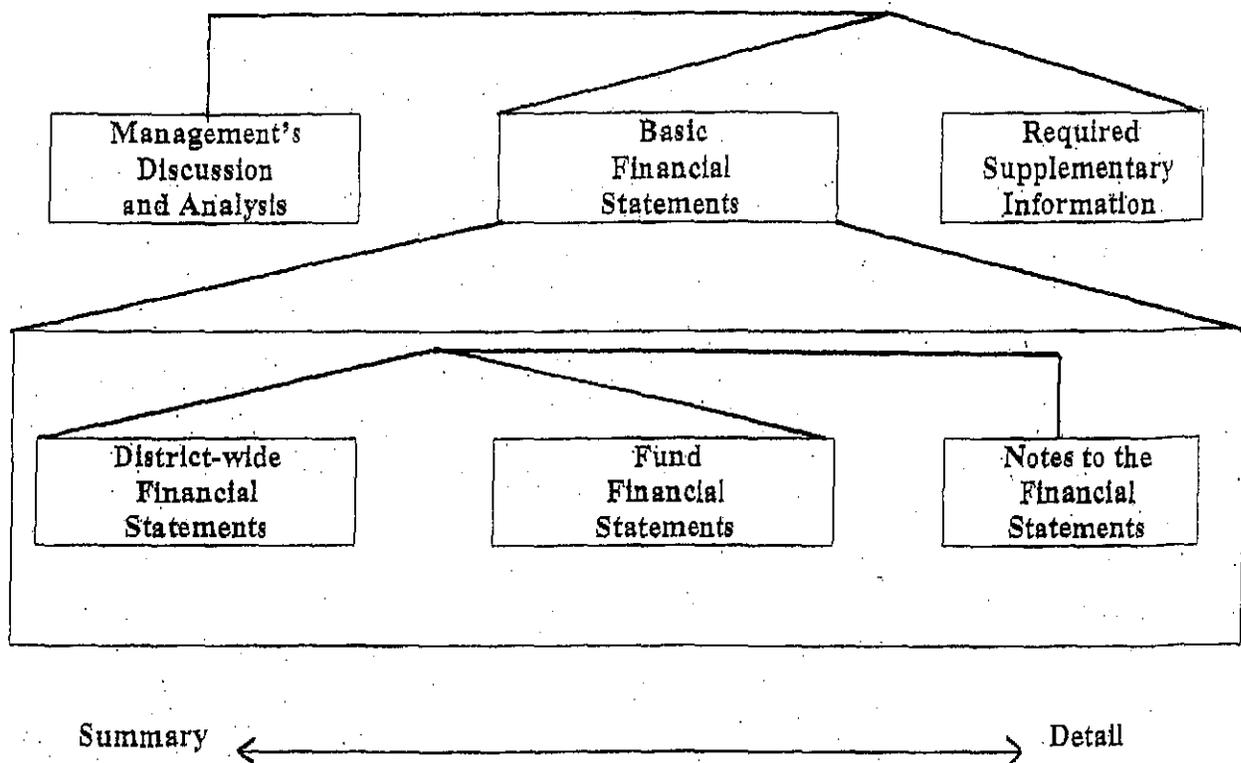


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, 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.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships in this fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 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	2013-2014
Current and other assets	\$7,459,166	\$7,963,667	\$110,363	\$90,527	\$7,569,529	\$8,054,194	-6.0%
Capital assets	8,928,683	8,587,607	49,840	56,151	8,978,523	8,643,758	3.9%
Total assets	<u>\$16,387,849</u>	<u>\$16,551,274</u>	<u>\$160,203</u>	<u>\$146,678</u>	<u>\$16,548,052</u>	<u>\$16,697,952</u>	<u>-0.9%</u>
Long-term liabilities	\$5,248,118	\$5,543,451	\$-	\$-	\$5,248,118	\$5,543,451	-5.2%
Other liabilities	814,023	1,007,856	10,813	7,192	824,836	1,015,048	-18.7%
Total liabilities	<u>\$6,062,141</u>	<u>\$6,551,307</u>	<u>\$10,813</u>	<u>\$7,192</u>	<u>\$6,072,954</u>	<u>\$6,558,499</u>	<u>-7.3%</u>
Deferred inflows of resources	\$2,671,376	\$2,452,884	\$-	\$-	\$2,671,376	\$2,452,884	8.9%
Net position:							
Net investment in capital assets	\$4,354,075	\$3,631,015	\$49,840	\$56,151	\$4,403,915	\$3,687,166	19.4%
Restricted	2,907,921	3,100,524	-	-	2,907,921	3,100,524	-6.2%
Unrestricted	392,336	815,544	99,550	83,335	491,886	898,879	-45.3%
Total net position	<u>\$7,654,332</u>	<u>\$7,547,083</u>	<u>\$149,390</u>	<u>\$139,486</u>	<u>\$7,803,722</u>	<u>\$7,686,569</u>	<u>1.5%</u>

The District's combined net position increased by nearly 1.5%, or approximately \$117,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$193,000, or 6.2% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$407,000, or 45.3%.

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 District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$779,248	\$858,996	\$229,385	\$225,342	\$1,008,633	\$1,084,338	-7.0%
Operating grants, contributions and restricted interest	1,158,904	970,879	112,952	102,472	1,271,856	1,073,351	18.5%
Capital grants, contributions and restricted interest	684	-	-	-	684	-	100%
General revenues:							
Property tax	2,458,250	2,389,313	-	-	2,458,250	2,389,313	2.9%
Income surtax	233,230	198,289	-	-	233,230	198,289	17.6%
Statewide sales, services and use tax	629,887	527,705	-	-	629,887	527,705	19.4%
Unrestricted state grants	3,123,997	3,394,192	-	-	3,123,997	3,394,192	-8.0%
Unrestricted investment earnings	25,402	26,141	313	320	25,715	26,461	-2.8%
Other	60,135	52,423	-	-	60,135	52,423	14.7%
Total revenues	\$8,469,737	\$8,417,938	\$342,650	\$328,134	\$8,812,387	\$8,746,072	0.8%
Program expenses:							
Governmental activities:							
Instruction	\$5,553,979	\$5,672,641	\$-	\$-	\$5,553,979	\$5,672,641	-2.1%
Support services	2,316,216	2,287,714	-	-	2,316,216	2,287,714	1.2%
Non-instructional programs	5,639	-	332,746	327,865	338,385	327,865	3.2%
Other expenses	479,210	458,099	-	-	479,210	458,099	4.6%
Total expenses	\$8,355,044	\$8,418,454	\$332,746	\$327,865	\$8,687,790	\$8,746,319	-0.7%
Change in net position	\$114,693	-\$516	\$9,904	\$269	\$124,597	-\$247	404.4%
Net position, beginning of year	\$7,547,083	\$7,571,006	\$139,486	\$139,217	\$7,686,569	\$7,710,223	-0.3%
Prior period adjustment	-7,444	-23,407	-	-	-7,444	-23,407	68.2%
Adjusted net position, beginning of year	\$7,539,639	\$7,547,599	\$139,486	\$139,217	\$7,679,125	\$7,686,816	-0.1%
Net position, end of year	\$7,654,332	\$7,547,083	\$149,390	\$139,486	\$7,803,722	\$7,686,569	1.5%

In fiscal year 2014, property tax and unrestricted state grants account for 63.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$8.8 million, of which approximately \$8.5 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.8% increase in revenues and a 0.7% decrease in expenses. Property tax increased approximately \$69,000. The decrease in expenses is related to a decrease in instructional expenses.

Governmental Activities

Revenues for governmental activities were \$8,469,737 and expenses were \$8,355,044 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 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	\$5,553,979	\$5,672,641	-2.1%	\$3,632,533	\$3,852,814	-5.7%
Support services	2,316,216	2,287,714	1.2%	2,299,510	2,277,666	1.0%
Non-instructional programs	5,639	-	100%	5,639	-	100%
Other expenses	479,210	458,099	4.6%	478,526	458,099	4.5%
Totals	\$8,355,044	\$8,418,454	-0.8%	\$6,416,208	\$6,588,579	-2.6%

During the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,008,633.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,271,856.
- The net cost of governmental activities was financed with \$3,321,367 in property and other taxes and \$3,123,997 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$342,650 and expenses were \$332,746. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,654,332, above last year's adjusted ending fund balances of \$7,539,639.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund adjusted balance decreased from \$1,365,460 to \$1,017,367, due in part to the increase in expenditures.
- The Debt Service Fund balance increased from \$327,390 in fiscal 2013 to \$327,517 in fiscal 2014, due in part to the increase in the operating transfer in.
- The Capital Projects Fund balance increased during fiscal 2014. The District ended fiscal 2013 with a balance of \$2,377,089. Fiscal 2014 ended with a balance of \$2,000,562, due to the increase in facilities acquisitions.

Proprietary Fund Highlights

- School Nutrition Fund net positions increased from \$139,486 at June 30, 2013 to \$149,390 at June 30, 2014, representing an increase of approximately 7.1%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$109,650 less than budgeted receipts, a variance of 1.2%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$9.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$567,526.

The original cost of the District's capital assets was \$16.27 million. Governmental funds account for \$16.18 million, with the remainder of \$0.09 million accounted for in the Proprietary, School Nutrition Fund.

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

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$211,600	\$211,600	\$-	\$-	\$211,600	\$211,600	-
Construction in process	155,748	77,127	-	-	155,748	77,127	101.9%
Buildings	7,272,801	7,096,389	-	-	7,272,801	7,096,389	2.5%
Improvements other than buildings	174,840	444,828	-	-	174,840	444,828	-60.7%
Furniture and equipment	1,113,694	757,663	49,840	56,151	1,163,534	813,814	42.8%
Totals	\$8,928,683	\$8,587,607	\$49,840	\$56,151	\$8,978,523	\$8,643,758	3.9%

Long-Term Debt

At June 30, 2014, the District had \$4,574,608 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 7.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.5 million.

Figure A-7

Outstanding Long-term Obligations		
	Total District	Total Change
	June 30,	June 30,
	2014	2013
Capital lease	\$84,608	\$166,592
General obligation bonds	930,000	1,045,000
Revenue bonds	3,560,000	3,745,000
	\$4,574,608	\$4,956,592
		-7.7%

Capital lease
 General obligation bonds
 Revenue bonds

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 significantly affect its financial health in the future:

- Enrollment decreased 18 students from 2013 to 2014. This will result in decreased state funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brad Laures, Superintendent, Denver Community School District, 520 Lincoln Street, Denver IA 50622.

Basic Financial Statements

Denver Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 4,304,065	\$ 104,675	\$ 4,408,740
Receivables:			
Property tax:			
Delinquent	16,674	-	16,674
Succeeding year	2,671,376	-	2,671,376
Income surtax	190,105	-	190,105
Accounts	31,590	34	31,624
Due from other governments	245,356	-	245,356
Inventories	-	5,654	5,654
Capital assets, net of accumulated depreciation	8,928,683	49,840	8,978,523
Total Assets	\$ 16,387,849	\$ 160,203	\$ 16,548,052
Liabilities			
Accounts payable	\$ 233,301	\$ -	\$ 233,301
Salaries and benefits payable	567,841	-	567,841
Accrued interest payable	12,881	-	12,881
Unearned revenue	-	10,813	10,813
Long-term liabilities:			
Portion due within one year:			
Capital lease	84,608	-	84,608
Revenue bonds payable	190,000	-	190,000
General obligation bonds payable	120,000	-	120,000
Early retirement	51,000	-	51,000
Portion due after one year:			
Revenue bonds payable	3,370,000	-	3,370,000
General obligation bonds payable	810,000	-	810,000
Early retirement	17,000	-	17,000
Net OPEB liability	605,510	-	605,510
Total Liabilities	\$ 6,062,141	\$ 10,813	\$ 6,072,954
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,671,376	\$ -	\$ 2,671,376
Net Position			
Net investment in capital assets	\$ 4,354,075	\$ 49,840	\$ 4,403,915
Restricted for:			
Categorical funding	196,745	-	196,745
Management levy	223,862	-	223,862
Physical plant and equipment	257,198	-	257,198
Student activities	159,235	-	159,235
Debt service	327,517	-	327,517
Capital projects	1,743,364	-	1,743,364
Unrestricted	392,336	99,550	491,886
Total Net Position	\$ 7,654,332	\$ 149,390	\$ 7,803,722

See notes to financial statements.

Denver Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,036,481	\$ 406,803	\$ 998,208	\$ -
Special instruction	840,199	58,338	121,270	-
Other instruction	677,299	302,517	34,310	-
	<u>\$ 5,553,979</u>	<u>\$ 767,658</u>	<u>\$ 1,153,788</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 279,612	\$ -	\$ 4,210	\$ -
Instructional staff services	291,700	-	-	-
Administration services	882,752	-	-	-
Operation and maintenance of plant services	637,126	11,590	906	-
Transportation services	225,026	-	-	-
	<u>\$ 2,316,216</u>	<u>\$ 11,590</u>	<u>\$ 5,116</u>	<u>\$ -</u>
Non-Instructional	<u>\$ 5,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 20,800	\$ -	\$ -	\$ 684
Long-term debt interest	162,402	-	-	-
AEA flow-through	296,008	-	-	-
	<u>\$ 479,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684</u>
Total Governmental Activities	<u>\$ 8,355,044</u>	<u>\$ 779,248</u>	<u>\$ 1,158,904</u>	<u>\$ 684</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 332,746	\$ 229,385	\$ 112,952	\$ -
Total	<u>\$ 8,687,790</u>	<u>\$ 1,008,633</u>	<u>\$ 1,271,856</u>	<u>\$ 684</u>

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,631,470	\$ -	\$ -2,631,470
-660,591	-	-660,591
-340,472	-	-340,472
<u>\$ -3,632,533</u>	<u>\$ -</u>	<u>\$ -3,632,533</u>
\$ -275,402	\$ -	\$ -275,402
-291,700	-	-291,700
-882,752	-	-882,752
-624,630	-	-624,630
-225,026	-	-225,026
<u>\$ -2,299,510</u>	<u>\$ -</u>	<u>\$ -2,299,510</u>
<u>\$ -5,639</u>	<u>\$ -</u>	<u>\$ -5,639</u>
\$ -20,116	\$ -	\$ -20,116
-162,402	-	-162,402
-296,008	-	-296,008
<u>\$ -478,526</u>	<u>\$ -</u>	<u>\$ -478,526</u>
<u>\$ -6,416,208</u>	<u>\$ -</u>	<u>\$ -6,416,208</u>
\$ -	\$ 9,591	\$ 9,591
<u>\$ -6,416,208</u>	<u>\$ 9,591</u>	<u>\$ -6,406,617</u>

Denver Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net position			
Net position beginning of year			
Prior period adjustment			
Adjusted net position beginning of year			
Net Position End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,122,968	\$ -	\$ 2,122,968
186,839	-	186,839
148,443	-	148,443
233,230	-	233,230
629,887	-	629,887
3,123,997	-	3,123,997
25,402	313	25,715
60,135	-	60,135
<hr/>		
\$ 6,530,901	\$ 313	\$ 6,531,214
<hr/>		
\$ 114,693	\$ 9,904	\$ 124,597
<hr/>		
\$ 7,547,083	\$ 139,486	\$ 7,686,569
-7,444	-	-7,444
<hr/>		
\$ 7,539,639	\$ 139,486	\$ 7,679,125
<hr/>		
\$ 7,654,332	\$ 149,390	\$ 7,803,722

Denver Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Debt Service	Non-major	Total
Assets					
Cash, Cash Equivalents and Pooled Investments	\$ 1,663,193	\$ 1,859,131	\$ 326,511	\$ 455,230	\$ 4,304,065
Receivables:					
Property Tax:					
Delinquent	13,042	1,266	1,006	1,360	16,674
Succeeding year	2,127,431	193,237	150,708	200,000	2,671,376
Income surtax	190,105	-	-	-	190,105
Accounts	31,510	-	-	80	31,590
Due from other governments	22,977	222,379	-	-	245,356
Total Assets	\$ 4,048,258	\$ 2,276,013	\$ 478,225	\$ 656,670	\$ 7,459,166
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 145,514	\$ 82,214	\$ -	\$ 5,573	\$ 233,301
Salaries and benefits payable	567,841	-	-	-	567,841
Total Liabilities	\$ 713,355	\$ 82,214	\$ -	\$ 5,573	\$ 801,142
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,127,431	\$ 193,237	\$ 150,708	\$ 200,000	\$ 2,671,376
Other	190,105	-	-	-	190,105
Total deferred inflows of resources	\$ 2,317,536	\$ 193,237	\$ 150,708	\$ 200,000	\$ 2,861,481
Fund Balances:					
Restricted for:					
Categorical funding	\$ 196,745	\$ -	\$ -	\$ -	\$ 196,745
Debt service	-	-	327,517	-	327,517
Management levy purposes	-	-	-	291,862	291,862
Student activities	-	-	-	159,235	159,235
School infrastructure	-	1,743,364	-	-	1,743,364
Physical plant and equipment	-	257,198	-	-	257,198
Unassigned	820,622	-	-	-	820,622
Total Fund Balance	\$ 1,017,367	\$ 2,000,562	\$ 327,517	\$ 451,097	\$ 3,796,543
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,048,258	\$ 2,276,013	\$ 478,225	\$ 656,670	\$ 7,459,166

See notes to financial statements.

Denver Community School District

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

June 30, 2014

Total fund balances of governmental funds (page 16)	\$ 3,796,543
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,928,683
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	190,105
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	-12,881
Long-term liabilities, including bonds, notes payable, early retirement and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>-5,248,118</u>
Net Position of governmental activities (page 13)	<u>\$ 7,654,332</u>

Denver Community School District

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

Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Non-major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,143,047	\$ 816,726	\$ 148,443	\$ 200,439	\$ 3,308,655
Tuition	454,907	-	-	-	454,907
Other	94,728	16,733	140	298,277	409,878
Intermediate sources	-	-	-	-	-
State sources	4,114,537	135	107	145	4,114,924
Federal sources	167,977	684	-	-	168,661
Total Revenues	\$ 6,975,196	\$ 834,278	\$ 148,690	\$ 498,861	\$ 8,457,025
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,462,173	\$ -	\$ -	\$ 51,000	\$ 3,513,173
Special instruction	840,199	-	-	-	840,199
Other instruction	471,494	-	-	254,264	725,758
	\$ 4,773,866	\$ -	\$ -	\$ 305,264	\$ 5,079,130
Support Services:					
Student services	\$ 278,189	\$ -	\$ -	\$ -	\$ 278,189
Instructional staff services	299,911	23,131	-	-	323,042
Administration services	875,950	-	-	-	875,950
Operation and maintenance of plant services	616,493	-	-	3,668	620,161
Transportation services	182,872	89,210	-	-	272,082
	\$ 2,253,415	\$ 112,341	\$ -	\$ 3,668	\$ 2,369,424
Other Expenditures:					
Facilities acquisition	\$ -	\$ 702,505	\$ -	\$ -	\$ 702,505
Long-Term Debt:					
Principal	-	-	381,984	-	381,984
Interest and fiscal charges	-	-	162,538	-	162,538
AEA flow-through	296,008	-	-	-	296,008
	\$ 296,008	\$ 702,505	\$ 544,522	\$ -	\$ 1,543,035
Total Expenditures	\$ 7,323,289	\$ 814,846	\$ 544,522	\$ 308,932	\$ 8,991,589
Excess (deficiency) of revenues over (under) expenditures	\$ -348,093	\$ 19,432	\$ -395,832	\$ 189,929	\$ -534,564
Other financing sources (uses):					
Operating transfers in (out)	-	-395,959	395,959	-	-
Change in fund balances	\$ -348,093	\$ -376,527	\$ 127	\$ 189,929	\$ -534,564
Fund balances beginning of year	\$ 1,372,904	\$ 2,377,089	\$ 327,390	\$ 261,168	\$ 4,338,551
Prior period adjustment	-7,444	-	-	-	-7,444
Adjusted beginning fund balances	\$ 1,365,460	\$ 2,377,089	\$ 327,390	\$ 261,168	\$ 4,331,107
Fund Balances End of Year	\$ 1,017,367	\$ 2,000,562	\$ 327,517	\$ 451,097	\$ 3,796,543

See notes to financial statements.

Denver Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2014

Change in fund balances – total governmental funds (page 18) \$ -534,564

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 908,602	
Depreciation expense	<u>-567,526</u>	341,076

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		12,712
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Repaid		381,984
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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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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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, as follows:

Early retirement	\$ 25,500	
Other postemployment benefits	<u>-112,151</u>	-86,651

Change in Net Position of Governmental Activities (page 15) \$ 114,693

Denver Community School District

Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>School Nutrition</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 104,675
Accounts receivable	34
Inventories	5,654
Total Current Assets	<u>\$ 110,363</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 49,840
Total Assets	<u>\$ 160,203</u>
Liabilities	
Current Liabilities:	
Unearned revenue	\$ 10,813
Total Current Liabilities	<u>\$ 10,813</u>
Total Liabilities	<u>\$ 10,813</u>
Net Position	
Net investment in capital assets	\$ 49,840
Unrestricted	99,550
Total Net Position	<u>\$ 149,390</u>

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

Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 229,385
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 105,089
Benefits	16,898
Purchased services	1,007
Supplies	196,185
Depreciation	7,822
Miscellaneous	5,745
Total operating expenses	\$ 332,746
Operating loss	\$ -103,361
Non-operating revenues:	
State sources	\$ 3,051
Federal sources	109,901
Interest income	313
Total non-operating revenues	\$ 113,265
Change in net position	\$ 9,904
Net position beginning of year	139,486
Net Position End of Year	\$ 149,390

See notes to financial statements.

Denver Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 233,562
Cash paid to employees for services	-121,987
Cash paid to suppliers for goods or services	-181,516
Net cash used by operating activities	<u>\$ -69,941</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,051
Federal grants received	85,152
Net cash provided by non-capital financing activities	<u>\$ 88,203</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -1,511</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 313</u>
Net increase in cash and cash equivalents	\$ 17,064
Cash and cash equivalents beginning of year	<u>87,611</u>
Cash and Cash Equivalents End of Year	<u>\$ 104,675</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -103,361
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	24,749
Depreciation	7,822
Increase in inventories	-2,805
Decrease in accounts receivable	33
Increase in unearned revenue	4,144
Decrease in accounts payable	-523
Net Cash Used by Operating Activities	<u>\$ -69,941</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$24,749 of federal commodities.

Denver Community School District

Statement of Net Position
Fiduciary Funds

June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash, cash equivalent and pooled investments	\$ 316,821
Total Assets	<u>\$ 316,821</u>
Liabilities	
Accounts payable	\$ -
Total liabilities	<u>\$ -</u>
Net Position	
Reserved for scholarships	<u>\$ 316,821</u>

Denver Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 2,183
Deductions:	
Support services:	
Scholarships awarded	\$ 5,000
Change in net position	\$ -2,817
Net Position beginning of year	<u>319,638</u>
Net Position End of Year	<u>\$ 316,821</u>

Denver Community School District

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Denver Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Denver, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's non-fiduciary assets, 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 attributable 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 preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2014, expenditures in the non-instruction function exceeded the amount budgeted.

(2) **Cash, Cash Equivalent and Pooled Investments**

The District's deposits in banks 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; 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 amortized cost of \$12153 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) **Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Project	<u>\$395,989</u>

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

(4) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 211,600	\$ -	\$ -	\$ -	\$ 211,600
Construction in process	77,127	155,748	77,127	-	155,748
Total capital assets not being depreciated	<u>\$ 288,727</u>	<u>\$ 155,748</u>	<u>\$ 77,127</u>	<u>\$ -</u>	<u>\$ 367,348</u>
Capital assets being depreciated:					
Buildings	\$ 9,572,043	\$ 476,408	\$ -	\$ -2,528	\$ 10,045,923
Improvements other than buildings	730,824	-	-	-448,535	282,289
Furniture and equipment	4,675,718	353,573	-	451,063	5,480,354
Total capital assets being depreciated	<u>\$ 14,978,585</u>	<u>\$ 829,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,808,566</u>
Less accumulated depreciation for:					
Buildings	\$ 2,475,654	\$ 209,794	\$ -	\$ 87,674	\$ 2,773,122
Improvements other than buildings	285,996	15,759	-	-194,306	107,449
Furniture and equipment	3,918,055	341,973	-	106,632	4,366,660
Total accumulated depreciation	<u>\$ 6,679,705</u>	<u>\$ 567,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,247,231</u>
Total capital assets being depreciated, net	<u>\$ 8,298,880</u>	<u>\$ 262,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,561,335</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,587,607</u>	<u>\$ 418,203</u>	<u>\$ 77,127</u>	<u>\$ -</u>	<u>\$ 8,928,683</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 93,155	\$ 1,511	\$ 799	\$ 93,867
Less accumulated depreciation	37,004	7,822	799	44,027
Business Type Activities Capital Assets, Net	<u>\$ 56,151</u>	<u>\$ -6,311</u>	<u>\$ -</u>	<u>\$ 49,840</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 454,960
Other	49,801

Support services:

Instructional support	6,662
Operation and maintenance of plant	8,310
Transportation	42,154
Non-Instructional	5,639

Total Depreciation Expense – Governmental Activities \$ 567,526

Business Type Activities:

Food service operations	<u>\$ 7,822</u>
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 1,045,000	\$ -	\$ 115,000	\$ 930,000	\$ 120,000
Early retirement	93,500	25,500	51,000	68,000	51,000
Net OPEB liability	493,359	112,151	-	605,510	-
Revenue bonds	3,745,000	-	185,000	3,560,000	190,000
Capital lease	166,592	-	81,984	84,608	84,608
Total	\$ 5,543,451	\$ 137,651	\$ 432,984	\$ 5,248,118	\$ 445,608

Capital Lease

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

At June 30, 2014, the District has a balance of \$84,608.

Early Retirement

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

General Obligation Bonds Payable

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

Series 2010

Refunding Bond Issue of February 10, 2010				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	2.40%	\$ 120,000	\$ 29,707	\$ 149,707
2016	2.70%	125,000	26,828	151,828
2017	3.00%	130,000	23,452	153,452
2018	3.20%	130,000	19,553	149,553
2019	3.40%	135,000	15,393	150,393
2020	3.60%	145,000	10,802	155,802
2021	3.85%	145,000	5,582	150,582
Total		\$ 930,000	\$ 131,317	\$ 1,061,317

Revenue Bonds

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

Series 2010

Refunding Bond Issue of September 15, 2010					
Year Ending June 30,	Interest Rate	Principal	Interest	Total	
2015	1.80%	\$ 190,000	\$ 121,310	\$ 311,310	
2016	2.10%	190,000	117,890	307,890	
2017	2.40%	195,000	113,900	308,900	
2018	2.70%	200,000	109,220	309,220	
2019	3.00%	205,000	103,820	308,820	
2020	3.20%	215,000	97,670	312,670	
2021	3.35%	225,000	90,790	315,790	
2022	3.50%	230,000	83,252	313,252	
2023	3.60%	240,000	75,203	315,203	
2024	3.70%	250,000	66,562	316,562	
2025	3.85%	260,000	57,313	317,313	
2026	4.00%	270,000	47,302	317,302	
2027	4.05%	285,000	36,503	321,503	
2028	4.10%	295,000	24,960	319,960	
2029	4.15%	310,000	15,640	325,640	
Total		\$ 3,560,000	\$ 1,161,335	\$ 4,721,335	

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,320,000 of bonds issued in September 2010. The bonds were issued for the purpose of financing the construction of the addition to the school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,721,335. For the current year, \$185,000 principal and \$124,805 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$629,886.

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

- a) \$325,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

During the year ended June 30, 2014, the District made principal, interest and fees payments totaling 544,523 under the agreements.

(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 payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$398,787, \$373,679, and \$288,104, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

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

Annual required contribution	\$	153,000
Interest on net OPEB obligation		22,202
Adjustment to annual required contribution		-20,051
Annual OPEB cost	\$	155,151
Contributions made		-43,000
Increase in net OPEB obligation	\$	112,151
Net OPEB obligation beginning of year		493,359
Net OPEB obligation end of year	\$	605,510

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$502,236 to the medical plan. Plan members eligible for benefits contributed \$308, or 0.6% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$135,000	8.14%	\$124,000
June 30, 2011	\$135,000	4.4%	\$253,118
June 30, 2012	\$135,000	8.9%	\$376,359
June 30, 2013	\$153,000	25.5%	\$493,359
June 30, 2014	\$153,000	28.1%	\$605,510

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 \$936,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$936,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,549,674 and the ratio of the UAAL to covered payroll was 20.6%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

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

(8) Risk Management

Denver Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of Position; 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 \$296,008 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) Subsequent Events

The District has evaluated subsequent events through February 18, 2015 which is the date that the financial statement were available to be issued.

(11) Categorical Funding

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

Program	Amount
Dropout Prevention	\$ 77,580
Talented and Gifted	30,638
Teacher Salary Supplement	12,231
Core Curriculum	30,721
Professional Development	23,231
Teacher Mentoring	201
Early Literacy	15,453
Teacher Leadership	6,690
Total	<u>\$ 196,745</u>

(12) Prior Period Adjustment

The General Fund had a -\$7,444 prior period adjustment.

(13) Deficit Balances

Two Special Revenue – Activity Fund accounts had deficit balances at June 30, 2014.

(14) 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.

Required Supplementary Information

Denver Community School District

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 4,173,440	\$ 229,698
Intermediate sources	-	-
State sources	4,114,924	3,051
Federal sources	168,661	109,901
Total Receipts	<u>\$ 8,457,025</u>	<u>\$ 342,650</u>
Disbursements:		
Instruction	\$ 5,079,130	\$ -
Support services	2,369,424	-
Non-instructional programs	-	332,746
Other expenditures	1,543,035	-
Total Disbursements	<u>\$ 8,991,589</u>	<u>\$ 332,746</u>
Excess (deficiency) of revenue over (under) expenditures/expense	\$ -534,564	\$ 9,904
Balances beginning of year	4,338,551	139,486
Prior period adjustment	-7,444	-
Adjusted balances beginning of year	<u>\$ 4,331,107</u>	<u>\$ 139,486</u>
Balances End of Year	<u>\$ 3,796,543</u>	<u>\$ 149,390</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount	Final To Actual Variance
\$	4,403,138	\$ 4,657,176	\$ -254,038
	-	-	-
	4,117,975	4,110,149	7,826
	278,562	142,000	136,562
\$	8,799,675	\$ 8,909,325	\$ -109,650
\$	5,079,130	\$ 5,642,500	\$ 563,370
	2,369,424	3,170,000	800,576
	332,746	300,000	-32,746
	1,543,035	1,613,562	70,527
\$	9,324,335	\$ 10,726,062	\$ 1,401,727
\$	-524,660	\$ -1,816,737	\$ 1,292,077
	4,478,037	4,823,692	-345,655
	-7,444	-	-7,444
\$	4,470,593	\$ 4,823,692	\$ -353,099
\$	3,945,933	\$ 3,006,955	\$ 938,978

Denver 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2014, expenditures in the non-instruction function exceeded the amounts budgeted.

Denver Community School District

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

Required Supplementary Information

June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,092	25.7%
2011	July 1, 2009	\$-	\$794	\$794	0.0%	\$2,671	29.7%
2012	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,457	23.0%
2013	July 1, 2012	\$-	\$936	\$936	0.0%	\$4,391	21.3%
2014	July 1, 2012	\$-	\$936	\$936	0.0%	\$4,550	20.6%

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

Supplementary Information

Denver Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalent and pooled investments	\$ 290,502	\$ 164,728	\$ 455,230
Receivables:			
Property Tax:			
Delinquent	1,360	-	1,360
Succeeding year	200,000	-	200,000
Accounts	-	80	80
Total Assets	\$ 491,862	\$ 164,808	\$ 656,670
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 5,573	\$ 5,573
Total liabilities	\$ -	\$ 5,573	\$ 5,573
Deferred inflows of resources:			
Unavailable Revenue:			
Succeeding year property tax	\$ 200,000	\$ -	\$ 200,000
Total deferred inflows of resources	\$ 200,000	\$ -	\$ 200,000
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 291,862	\$ -	\$ 291,862
Student activities	-	159,235	159,235
Total fund balances	\$ 291,862	\$ 159,235	\$ 451,097
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 491,862	\$ 164,808	\$ 656,670

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

Year Ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 200,439	\$ -	\$ 200,439
Other	7,403	290,874	298,277
State sources	145	-	145
Total Revenues	\$ 207,987	\$ 290,874	\$ 498,861
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 51,000	\$ -	\$ 51,000
Other instruction	-	254,264	254,264
Support Services:			
Operation and maintenance of plant services	3,668	-	3,668
Total Expenditures	\$ 54,668	\$ 254,264	\$ 308,932
Excess (deficiency) of revenues over (under) expenditures	\$ 153,319	\$ 36,610	\$ 189,929
Fund balances beginning of year	138,543	122,625	261,168
Fund Balances End of Year	\$ 291,862	\$ 159,235	\$ 451,097

Denver Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	
Assets				
Cash, cash equivalents and pooled investments	\$ 1,553,873	\$ 255,248	\$ 50,010	\$ 1,859,131
Receivables:				
Property Tax:				
Delinquent	-	1,266	-	1,266
Succeeding year	-	193,237	-	193,237
Due from other governments	221,013	684	682	222,379
Total Assets	\$ 1,774,886	\$ 450,435	\$ 50,692	\$ 2,276,013
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 82,214	\$ -	\$ -	\$ 82,214
Total Liabilities	\$ 82,214	\$ -	\$ -	\$ 82,214
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ -	\$ 193,237	\$ -	\$ 193,237
Total deferred inflows of resources	\$ -	\$ 193,237	\$ -	\$ 193,237
Fund Balances:				
Restricted for:				
School infrastructure	\$ 1,692,672	\$ -	\$ 50,692	\$ 1,743,364
Physical plant and equipment	-	257,198	-	257,198
Total fund balances	\$ 1,692,672	\$ 257,198	\$ 50,692	\$ 2,000,562
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,774,886	\$ 450,435	\$ 50,692	\$ 2,276,013

Denver Community School District

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

Year Ended June 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	
Revenues:				
Local Sources:				
Local tax	\$ 629,887	\$ 186,839	\$ -	\$ 816,726
Other	10,614	726	5,393	16,733
State sources	-	135	-	135
Federal sources	-	684	-	684
Total Revenues	<u>\$ 640,501</u>	<u>\$ 188,384</u>	<u>\$ 5,393</u>	<u>\$ 834,278</u>
Expenditures:				
Support Services:				
Instructional staff services	\$ 23,131	\$ -	\$ -	\$ 23,131
Transportation service	89,210	-	-	89,210
Other Expenditures:				
Facilities acquisition	217,096	83,262	402,147	702,505
Total Expenditures	<u>\$ 329,437</u>	<u>\$ 83,262</u>	<u>\$ 402,147</u>	<u>\$ 814,846</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 311,064	\$ 105,122	\$ -396,754	\$ 19,432
Other Financing Sources (Uses):				
Operating transfers in (out)	-395,959	-	-	-395,959
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	\$ -84,895	\$ 105,122	\$ -396,754	\$ -376,527
Fund balances beginning of year	1,777,567	152,076	447,446	2,377,089
Fund Balances End of Year	<u>\$ 1,692,672</u>	<u>\$ 257,198</u>	<u>\$ 50,692</u>	<u>\$ 2,000,562</u>

Denver Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Shop resale	\$ 1,202	\$ 665	\$ 916	\$ 1,909	\$ 2,860
Resale-High School	2,071	1,038	1,109	929	2,929
Resale-Art	4,803	-	2,891	1,766	3,678
Resale-Middle School	7,243	8,628	8,988	-	6,883
Resale-Elementary	-283	2,548	7,521	4,848	-408
Cyclone Achievement Club	843	1,834	2,163	-	514
Stem	898	1,700	1,531	-	1,067
Class of 2019	1,100	-	-	-	1,100
Class of 2013	762	-	-	-762	-
Class of 2014	1,334	-	943	-	391
Class of 2015	3,620	1,184	4,312	1,462	1,954
Class of 2016	3,640	80	-	820	4,540
Class of 2017	2,850	40	-	780	3,670
Class of 2018	1,800	-	-	-	1,800
Elementary Fundraising	5,339	39,877	23,308	325	22,233
High School book rent clearing	769	71,593	16,562	-50,434	5,366
Elementary music resale	236	-	-	-	236
Elementary School book rent clearing	-	84	7,526	7,442	-
Boys' basketball	6,276	7,662	6,225	-	7,713
Girls' basketball	6,289	6,143	4,403	-	8,029
Football	5,198	21,562	23,316	40	3,484
Baseball	-750	4,307	3,605	-	-48
Track	-	7,966	11,538	4,000	428
Softball	71	4,893	4,205	-	759
Wrestling	2,574	8,352	7,407	-	3,519
Middle School Student Council	417	-	-	-	417
Athletic	1,815	799	3,154	1,358	818
Cheerleaders	1,829	938	675	-	2,092
Golf	69	1,949	1,531	-	487
Volleyball	3,300	7,307	7,192	-	3,415
Soccer	4,603	14,876	12,316	-	7,163
Drama and Speech	2,939	726	1,700	809	2,774
Library	317	121	-	-	438
FFA-Farming Fund	3,836	-	-	-	3,836
Elementary Book Fair	667	9,562	9,619	-	610
Foods resale	420	1,294	4,086	2,778	406
Chemistry resale	3,580	-	6,429	3,312	463
Student Council	6,571	4,728	2,960	-	8,339
Band Trip	1,874	3,932	2,248	-	3,558
Bowling	988	-	-	-	988
Athletic Passes	738	2,590	2,759	1,515	2,084
Elementary Student Council	313	-	-	-	313
FB/BB Cheerleaders	1,730	2,109	736	-	3,103
Computer fee	-	1,290	6,642	10,420	5,068

Denver Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Annual	\$ 19,098	\$ 7,666	\$ 14,661	\$ 6,570	\$ 18,673
Variety Show	1,434	731	530	-	1,635
Vocal-miscellaneous	-	2,506	1,782	650	1,374
Instrumental-resale	1,364	36,786	36,775	1,388	2,763
Faculty-pop	930	-	-	-930	-
Elementary-pop	187	-	-	-187	-
FFA	5,721	-	-	-	5,721
Interest on investments	-	808	-	-808	-
Total	\$ 122,625	\$ 290,874	\$ 254,264	\$ -	\$ 159,235

Denver Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 3,308,655	\$ 3,107,128	\$ 3,153,717	\$ 3,176,153
Tuition	454,907	534,615	517,403	352,120
Other	409,878	402,945	465,259	549,421
Intermediate sources	-	-	-	-
State sources	4,114,924	4,221,955	3,948,045	3,771,424
Federal sources	168,661	143,116	130,467	341,894
Total	\$ 8,457,025	\$ 8,409,759	\$ 8,214,891	\$ 8,191,012
Expenditures:				
Instruction:				
Regular instruction	\$ 3,513,173	\$ 3,374,798	\$ 3,217,833	\$ 2,965,596
Special instruction	840,199	980,363	810,992	789,115
Other instruction	725,758	716,921	645,999	657,533
Support services:				
Student services	278,189	188,036	205,011	119,042
Instructional staff services	323,042	662,326	301,719	456,147
Administrative services	875,950	943,185	805,674	704,527
Operation and maintenance of plant services	620,161	634,103	662,683	649,342
Transportation services	272,082	192,288	189,395	186,195
Central support	-	-	-	-
Other expenditures:				
Facilities acquisition	702,505	490,503	1,053,024	2,479,433
Long-term debt:				
Principal	381,984	461,757	290,000	315,000
Interest and other charges	162,538	169,286	164,752	192,634
AEA flow-through	296,008	289,164	286,684	312,011
Total	\$ 8,991,589	\$ 9,102,730	\$ 8,633,766	\$ 9,826,575

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 2,973,981	\$ 2,836,746	\$ 2,742,036	\$ 2,638,013	\$ 2,479,070	\$ 2,312,518
288,515	319,980	302,552	256,412	247,457	235,216
544,806	547,095	618,348	496,796	391,681	401,736
-	-	-	-	-	-
3,311,250	3,703,472	3,407,490	3,232,168	3,015,176	2,900,896
584,285	102,092	112,564	111,071	104,002	127,944
<u>\$ 7,702,837</u>	<u>\$ 7,509,385</u>	<u>\$ 7,182,990</u>	<u>\$ 6,734,460</u>	<u>\$ 6,237,386</u>	<u>\$ 5,978,310</u>

\$ 2,996,552	\$ 3,107,861	\$ 2,842,539	\$ 2,650,020	\$ 2,627,832	\$ 2,584,094
727,725	779,266	544,017	594,378	520,020	589,854
694,245	577,790	592,176	474,420	462,179	432,110
159,973	196,920	188,491	153,884	155,666	131,146
363,170	303,097	417,825	229,246	225,114	180,569
765,183	757,126	767,571	751,016	671,170	824,229
537,463	612,537	541,190	619,722	528,619	542,440
155,917	132,004	159,182	157,240	143,171	153,815
-	-	-	-	-	-
371,742	133,195	167,991	122,091	489,904	816,730
1,655,000	175,000	165,000	155,000	150,000	145,000
93,581	82,537	88,560	93,830	98,480	102,168
312,042	259,671	234,836	215,089	202,498	198,578
<u>\$ 8,832,593</u>	<u>\$ 7,117,004</u>	<u>\$ 6,709,378</u>	<u>\$ 6,215,936</u>	<u>\$ 6,274,653</u>	<u>\$ 6,700,733</u>

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

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

To the Board of Education of
Denver Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denver Community School District as of and for the year ended June 30, 2014, and related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 18, 2015.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-F-14 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-G-14 to be a significant deficiency.

Compliance and Other Matters

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

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

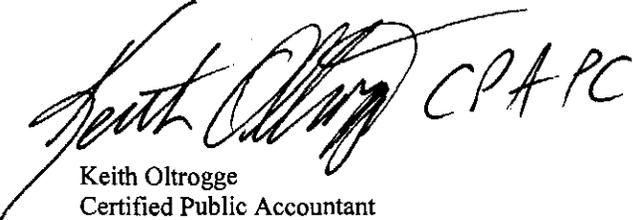
Denver Community School District's Responses to the Findings

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

Purpose of this Report

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

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



Keith Oltrogge
Certified Public Accountant

February 18, 2015

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion – Response accepted.

I-B-14 Financial Reporting – During the audit, I identified material amounts of disbursements recorded in incorrect funds and identified several disbursements with the wrong object code. Adjustments were made by the District to properly record the disbursements to the proper fund and account before year end.

Recommendation – The District should review the coding of all bills and receipts to ensure they are properly coded in accordance with the Uniform Financial Accounting for Iowa LEAs and AEAs. The purpose of governmental fund accounting is to facilitate that the District is demonstrating compliance with the use of designated or restricted revenue by segregating the revenue and related expenditures. In addition, timely and complete recording of all bills and receipts is essential for accurate financial statements. The general ledger is supposed to be an accurate history of the District's financial transactions.

Response – The District will review the coding of bills and receipts, to ensure they are all properly recorded.

Conclusion – Response acknowledged.

School Account Software – I noted that several accounts were not set up correctly. Receivables and payables were not being posted to the correct accounts.

Recommendation – The new Business Manager needs to verify that all accounts are set up to close to the proper accounts in the future.

Response – We are working on verifying that all accounts are posting to the correct balance sheet accounts.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued)

INTERNAL CONTROL DEFICIENCIES:

I-C-14 Disbursement Approval – For most of the disbursements tested for all funds there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and will maintain documentation of the approval.

Conclusion – Response acknowledged.

I-D-14 Supporting Documentation – I noted two instances of checks being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

I-E-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued)

INTERNAL CONTROL DEFICIENCIES:

I-F-14 Other Accounts – It was brought to my attention that a few coaches have bank accounts for their sport to conduct camps or do other fundraising activities. Because these accounts are using the District's Federal Identification Number or are for District activities, the District should be accounting for the accounts within the District's Student Activity Fund. The accounts and transactions should be included in the District's financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

Recommendation – The District should contact the coaches and request the accounts to be turned over to the District. The activities may establish a 501 (c)(3) organization with a federal identification number separate than that of the District, however the current accounts should be turned over to the District for proper recording.

In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make the necessary changes.

Response – The District has discussed this with the coaches and has made the necessary changes to include these funds on our activities' accounts.

Conclusion – Response accepted.

I-G-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

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

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

Conclusions – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceed the certified budget amounts in the non-instruction function.

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

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

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
Employee	Pizza for staff	\$140.00
Kwik Trip	Food	\$9.38

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items such as food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, I do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the Student Activity Fund will not make any purchases for teacher appreciation supplies or other items that are not appropriate, and will have supporting documentation for all purchases.

Conclusion – Response acknowledged.

II-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.

II-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-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 the coverage is adequate for current operations.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-F-14 Board Minutes –

Closed Sessions – I noted instances where the Board entered closed sessions during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa.

Recommendation – The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's board minutes.

Response – In the District's board minutes it now lists the specific exemption allowed under Chapter 21.5 of the Code of Iowa for entering a closed session.

Conclusion – Response accepted.

Board Approval – I noted 3 of 8 school nutrition fund transactions requiring Board approval which were not approved by the Board.

Recommendation – The District should ensure the Board approves all disbursements before they are made.

Response – The District will increase monitoring of disbursements and approval by the Board.

Conclusion – Response accepted.

Signing of Minutes – I noted that the board minutes were not signed by the Board Secretary or Board President.

Recommendation – The Board President and Board Secretary should sign all approved Board minutes as recommended in Chapter 3 of the Uniform Administrative Procedures for Iowa School Districts and AEA Officials.

Response – The Board President and Board Secretary will sign all minutes of board meetings in the future.

Conclusion – Response accepted.

II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

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

- II-I-14 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

The District adopted a depository resolution naming each depository which may hold funds for the District. However, the resolution did not specify the maximum amount that may be kept on deposit at each depository as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The District should approve a depository resolution which includes the maximum amount that may be kept on deposit at each depository.

Response – We have adopted a resolution and will make sure the maximum amounts are listed in the future.

Conclusion – Response accepted.

- II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

- II-K-14 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Book Rent Accounts and Resale Accounts.

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

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

Conclusion – Response accepted.

- II-L-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather the supplement other funds.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-M-14 Statewide Sales, Services and Use Tax -- No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2014, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	1,777,567
Revenues/transfers in:			
Sales tax revenues	\$		483,740
Other local revenues			10,614
School infrastructure supplemental amount			146,147
			640,501
			2,418,068
Expenditures/transfer out:			
School infrastructure	\$		217,096
Equipment			112,341
Transfers to other funds:			
Debt service fund			395,959
			725,396
Ending balance		\$	1,692,672

The statewide sales, services and use tax revenue received during the year ended June 30, 2014 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ 629,886	\$	1.6162
Physical plant and equipment levy	125,324		0.7799
Public educational and recreational levy	-		-

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-N-14 Form 1099 – The only 1099 forms prepared by the District were for early retirement payments.

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

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

Conclusion – Response accepted.

II-O-14 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2014.

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

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

Conclusion – Response accepted.

II-P-14 Sales Tax – Sales tax was paid by the District on two disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.

II-Q-14 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go on line at any time and see/print the back side of any check.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-R-14 Contracts – I noted during my audit that not all contracts were signed by management. According to Chapter 29.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation – The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response – The Board President will sign all contracts.

Conclusion – Response accepted.

II-S-14 Enterprise Fund, School Nutrition – I noted in my testing of revenues for the Enterprise Fund, School Nutrition that the District records all meal sales and related revenues into one general ledger account for sale of student lunches. The matching expenses were also just recorded in one food purchase account.

Recommendation – The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response – We will properly adjust our revenue and expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion – Response accepted.