

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

JUNE 30, 2015

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Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rod Bradley	President	2017
Kris Rowedder	Vice President	2015
Les Lewis	Board Member	2015
Larry Anderson	Board Member	2017
Joe Lally	Board Member	2017
School Officials		
Mike Pardun	Superintendent	2015
Scott Larson	Business Manager	2015
Lori L. Ahart	Board Secretary	2015
Mundt, Franck and Schumacher	Attorney	2015

Denison Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District, Denison, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

As discussed in Note 14 to the financial statements, Denison Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2015, on our consideration of Denison Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denison Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 29, 2015
Newton, Iowa

Denison Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Denison Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$22,154,669 in fiscal 2014 to \$22,701,325 in fiscal 2015, while General Fund expenditures increased from \$21,278,980 in fiscal 2014 to \$22,505,031 in fiscal 2015. This resulted in an increase in the District's General Fund balance from \$3,392,209 in fiscal 2014 to a balance of \$3,588,500 in fiscal 2015, a 5.79% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2015. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.
- The District's solvency ratio increased as compared to fiscal 2014. At June 30, 2014 the District's solvency ratio was 13.08% as compared to 14.25% at June 30, 2015.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

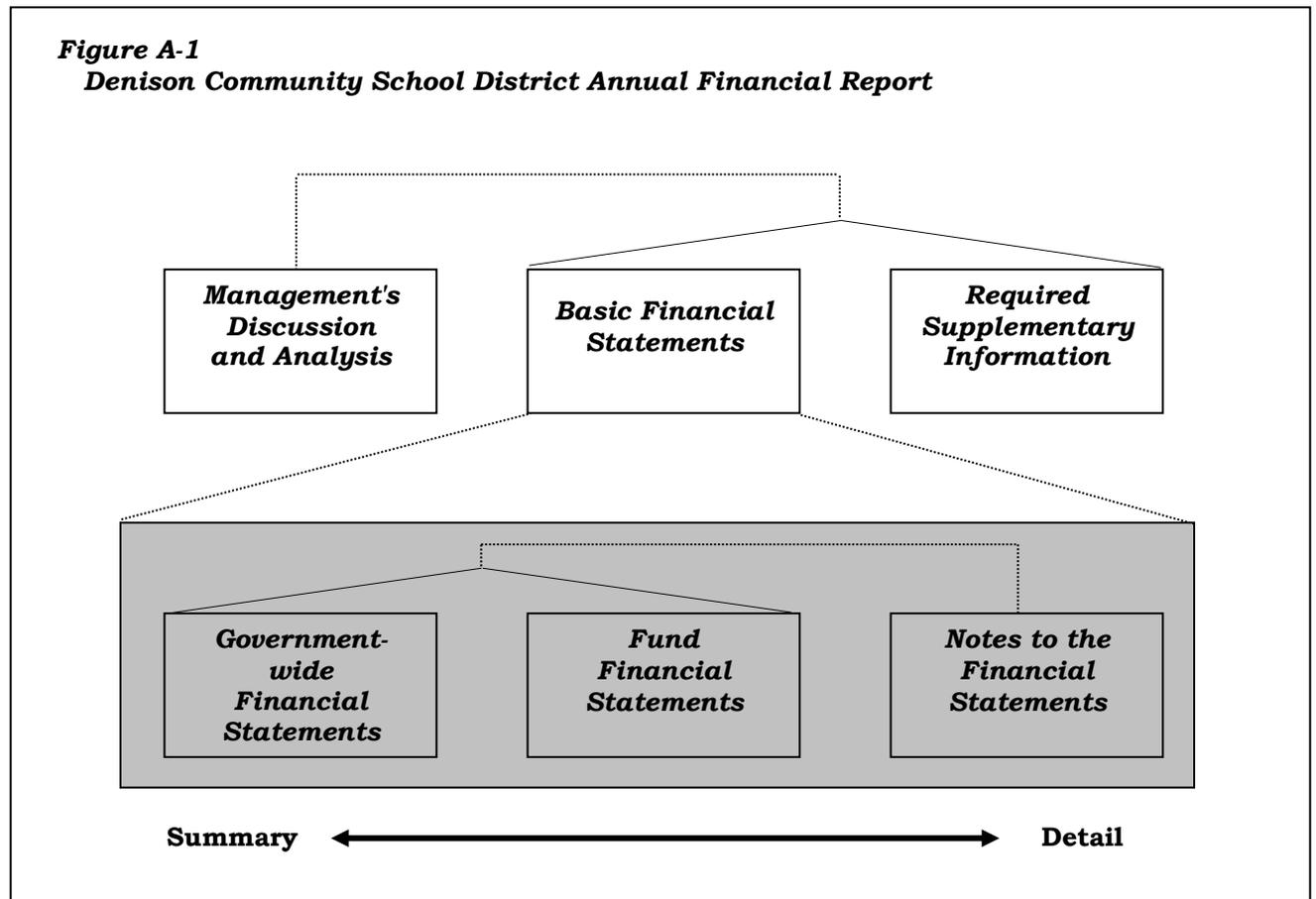


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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 they have changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business type Activities		Total District	Total Change	
	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014-15	
Current and other assets	\$ 18,938,784	18,063,114	563,642	640,753	19,502,426	18,703,867	4.27%
Capital assets	19,947,945	19,968,447	427,989	416,821	20,375,934	20,385,268	-0.05%
Total assets	38,886,729	38,031,561	991,631	1,057,574	39,878,360	39,089,135	2.02%
Deferred outflows of resources	1,740,972	-	58,398	-	1,799,370	-	100.00%
Long-term liabilities	18,991,549	11,658,134	274,404	717	19,265,953	11,658,851	65.25%
Other liabilities	2,549,878	2,349,140	15,653	63,749	2,565,531	2,412,889	6.33%
Total liabilities	21,541,427	14,007,274	290,057	64,466	21,831,484	14,071,740	55.14%
Deferred inflows of resources	8,584,854	5,118,515	104,182	-	8,689,036	5,118,515	69.76%
Net position:							
Net investment in capital assets	12,380,988	11,599,424	427,989	416,821	12,808,977	12,016,245	6.60%
Restricted	4,116,355	4,000,461	-	-	4,116,355	4,000,461	2.90%
Unrestricted	(5,995,923)	3,305,887	227,801	576,287	(5,768,122)	3,882,174	-248.58%
Total net position	\$ 10,501,420	18,905,772	655,790	993,108	11,157,210	19,898,880	-43.93%

The District's total net position decreased by 43.93%, or \$8,741,670, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 2.90%, or \$115,894, over the prior year. This increase in restricted net position is mainly attributable to the increase in the Capital Projects: Statewide Sales, Services and Use Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$9,650,296, or 248.58%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expenses recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$10,109,123 and \$340,663, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change 2014-15
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Program revenues:							
Charges for services	\$ 1,818,416	1,760,903	367,694	364,368	2,186,110	2,125,271	2.86%
Operating grants and contributions and restricted interest	2,777,448	2,727,603	1,145,801	1,137,088	3,923,249	3,864,691	1.52%
General revenues:							
Property tax	5,170,123	4,813,079	-	-	5,170,123	4,813,079	7.42%
Income surtax	663,009	754,941	-	-	663,009	754,941	-12.18%
Statewide sales, services and use tax	1,993,840	1,854,372	-	-	1,993,840	1,854,372	7.52%
Unrestricted state grants	13,631,163	13,340,920	-	-	13,631,163	13,340,920	2.18%
Unrestricted investment earnings	24,427	23,540	742	779	25,169	24,319	3.50%
Other	132,221	122,775	3,645	2,406	135,866	125,181	8.54%
Total revenues	26,210,647	25,398,133	1,517,882	1,504,641	27,728,529	26,902,774	3.07%
Program expenses:							
Governmental activities:							
Instructional	15,379,139	14,931,014	-	-	15,379,139	14,931,014	3.00%
Support services	7,231,586	6,952,521	-	-	7,231,586	6,952,521	4.01%
Non-instructional programs	7,828	4,227	1,514,537	1,437,862	1,522,365	1,442,089	5.57%
Other expenses	1,887,323	1,812,252	-	-	1,887,323	1,812,252	4.14%
Total expenses	24,505,876	23,700,014	1,514,537	1,437,862	26,020,413	25,137,876	3.51%
Changes in net position	1,704,771	1,698,119	3,345	66,779	1,708,116	1,764,898	-3.22%
Net position beginning of year, as restated	8,796,649	17,207,653	652,445	926,329	9,449,094	18,133,982	-47.89%
Net position end of year	\$ 10,501,420	18,905,772	655,790	993,108	11,157,210	19,898,880	-43.93%

In fiscal year 2015, property tax, income surtax and unrestricted state grants account for 74.26% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 99.71% of business type activities revenue.

The District's total revenues were approximately \$27.73 million of which approximately \$26.21 million was for governmental activities and approximately \$1.52 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.07% increase in revenues and a 3.51% increase in expenses. Property tax increased \$357,044 and statewide sales, services and use tax increased \$139,468 to fund increases in expenditures. The increase in expenses related to increases in negotiated salary and benefits

Governmental Activities

Revenues for governmental activities were \$26,210,647 and expenses were \$24,505,876 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
		(Not restated)			(Not restated)	
Instruction	\$ 15,379,139	14,931,014	3.00%	11,775,832	11,351,857	3.73%
Support services	7,231,586	6,952,521	4.01%	7,133,739	6,913,677	3.18%
Non-instructional	7,828	4,227	100.00%	7,828	4,227	85.19%
Other expenses	1,887,323	1,812,252	4.14%	992,613	941,747	5.40%
Totals	\$ 24,505,876	23,700,014	3.40%	19,910,012	19,211,508	3.64%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,818,416.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,777,448.
- The net cost of governmental activities was financed with \$5,170,123 in property tax, \$663,009 in income surtax, \$1,993,840 in statewide sales, services and use tax, \$13,631,163 in unrestricted state grants, \$24,427 in interest income and \$132,221 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$1,517,882 and expenses were \$1,514,537. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$10,400,788, above last year's ending fund balances of \$10,130,267. The primary reason for the increase in combined fund balances is because of the increase in fund balance in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The increase in salaries and benefits is one of the reasons for the increase in expenditures. Revenues in the General Fund increased by \$546,656 and expenses increased by \$1,226,051. The General Fund balance increased by \$196,294 to a balance of \$3,588,500.
- The Capital Projects Fund balance increased from \$1,575,440 at June 30, 2014 to \$2,130,058 at June 30, 2015. Revenues in the Capital Projects Fund increased by \$149,921 and expenses increased by \$36,777.
- The Debt Service Fund balance decreased from \$4,634,762 at June 30, 2014 to a balance of \$4,169,088 at June 30, 2015. This District issued crossover refunding bonds during the fiscal year 2013. The District paid \$845,000 of principal on the Districts bonded indebtedness during the year.

Proprietary Fund Highlights

The School Nutrition Fund's increase in revenues was enough to offset the continued increase in food costs, and salaries and benefits. Overall, net position increased from a restated balance of \$652,445 at July 1, 2014 to \$655,790 at June 30, 2015, representing an increase of 0.51%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$617,317 more than budgeted revenues, a variance of 2.28%. The most significant variance resulted from the District receiving more in state sources than what was originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$20,375,934, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.05% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$951,566.

The original cost of the District's capital assets was \$31,117,504. Governmental funds account for \$30,304,284 with the remainder of \$813,220 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$1,228,094 at June 30, 2015 as compared to \$869,261 at June 30, 2014. The increase was primarily the result of the addition of tennis courts and an elementary parking lot during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 191,680	191,680	-	-	191,680	191,680	0.00%
Buildings	17,668,744	18,104,085	-	-	17,668,744	18,104,085	-2.40%
Land improvements	1,228,094	869,261	-	-	1,228,094	869,261	41.28%
Machinery and equipment	859,427	803,421	427,989	416,821	1,287,416	1,220,242	5.50%
Total	\$ 19,947,945	19,968,447	427,989	416,821	20,375,934	20,385,268	-0.05%

Long-Term Debt

At June 30, 2015, the District had \$19,265,953 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$6,415,000 at June 30, 2015.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$4,210,000 at June 30, 2015.

The District has a Net Pension Liability of \$8,379,641 as of June 30, 2015. Governmental activities account for \$8,106,465, while business type activities account for \$273,176.

The District has a Net OPEB liability of \$261,312 as of June 30, 2015. Governmental activities account for \$260,084 while business type activities account for \$1,228.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not restated)		(Not restated)		(Not restated)	
General obligation bonds	\$ 6,415,000	6,645,000	-	-	6,415,000	6,645,000	-3.46%
Revenue bonds	4,210,000	4,825,000	-	-	4,210,000	4,825,000	-12.75%
Net Pension liability	8,106,465	-	273,176	-	8,379,641	-	100.00%
Net OPEB liability	260,084	188,134	1,228	717	261,312	188,851	38.37%
Total	\$ 18,991,549	11,658,134	274,404	717	19,265,953	11,658,851	65.25%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- The federally mandated Affordable Care Act will continue to add health care expenditures to the District. The District's cost for health benefits is a concern for future costs to the District and has resulted in a continued search for solutions to this issue.
- The District's certified enrollment in October of 2015, showed an increase of +1.14 students. Increasing or at least maintaining enrollment in upcoming years will be necessary to help maintain the District's financial health.
- The Iowa Legislature has yet to set the State Supplemental Aid for fy17 or fy18. We are optimistic about the District's financial outlook because of prudent actions taken over the past five to six years. The District has positioned itself extremely well to withstand financial uncertainties at both the state and federal level.
- In August 2015 a beef processing facility (Tyson Foods) located within the district closed displacing 400 workers. The facility is currently for sale, and it is hopeful that the workers will find other jobs in the community and the facility can be sold.
- The Denison Community School District had its Teacher Leadership and Compensation application approved for the 2016-17 school year. This grant will affect funding and staffing going forward.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 3,058,043	-	3,058,043
Other	8,654,514	518,943	9,173,457
Receivables:			
Property tax:			
Delinquent	61,792	-	61,792
Succeeding year	5,493,282	-	5,493,282
Income surtax	608,118	-	608,118
Accounts	12,415	9,006	21,421
Due from other funds	454	-	454
Due from other governments	1,041,794	23,190	1,064,984
Inventories	8,372	12,503	20,875
Capital assets, net of accumulated depreciation	19,947,945	427,989	20,375,934
TOTAL ASSETS	38,886,729	991,631	39,878,360
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,740,972	58,398	1,799,370
LIABILITIES			
Due to other funds	-	454	454
Accounts payable	282,851	-	282,851
Salaries and benefits payable	2,153,745	4,238	2,157,983
Accrued interest payable	113,282	-	113,282
Unearned revenue	-	10,961	10,961
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	3,255,000	-	3,255,000
Revenue bonds payable	195,000	-	195,000
Portion due after one year:			
General obligation bonds payable	3,160,000	-	3,160,000
Revenue bonds payable	4,015,000	-	4,015,000
Net pension liability	8,106,465	273,176	8,379,641
Net OPEB liability	260,084	1,228	261,312
TOTAL LIABILITIES	21,541,427	290,057	21,831,484
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	3,091,572	104,182	3,195,754
Unavailable property tax revenue	5,493,282	-	5,493,282
TOTAL DEFERRED INFLOWS OF RESOURCES	8,584,854	104,182	8,689,036
NET POSITION			
Net investment in capital assets	12,380,988	427,989	12,808,977
Restricted for:			
Categorical funding	473,692	-	473,692
Management levy purposes	373,066	-	373,066
Student activities	141,776	-	141,776
School infrastructure	1,895,621	-	1,895,621
Physical plant and equipment	234,437	-	234,437
Debt service	997,763	-	997,763
Unrestricted	(5,995,923)	227,801	(5,768,122)
TOTAL NET POSITION	\$ 10,501,420	655,790	11,157,210

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 8,778,891	1,027,486	83,187	(7,668,218)	-	(7,668,218)
Special	2,361,020	207,659	167,294	(1,986,067)	-	(1,986,067)
Other	4,239,228	583,271	1,534,410	(2,121,547)	-	(2,121,547)
	<u>15,379,139</u>	<u>1,818,416</u>	<u>1,784,891</u>	<u>(11,775,832)</u>	<u>-</u>	<u>(11,775,832)</u>
Support services:						
Student	696,244	-	7,240	(689,004)	-	(689,004)
Instructional staff	1,223,842	-	64,752	(1,159,090)	-	(1,159,090)
Administration	2,035,598	-	-	(2,035,598)	-	(2,035,598)
Operation and maintenance of plant	2,225,731	-	-	(2,225,731)	-	(2,225,731)
Transportation	1,050,171	-	25,855	(1,024,316)	-	(1,024,316)
	<u>7,231,586</u>	<u>-</u>	<u>97,847</u>	<u>(7,133,739)</u>	<u>-</u>	<u>(7,133,739)</u>
Non-instructional programs:						
Community service operations	7,828	-	-	(7,828)	-	(7,828)
	<u>363,815</u>	<u>-</u>	<u>-</u>	<u>(363,815)</u>	<u>-</u>	<u>(363,815)</u>
Other expenses:						
AEA flowthrough	894,710	-	894,710	-	-	-
Depreciation (unallocated)*	628,798	-	-	(628,798)	-	(628,798)
	<u>1,523,508</u>	<u>-</u>	<u>894,710</u>	<u>(628,798)</u>	<u>-</u>	<u>(628,798)</u>
Total governmental activities	24,505,876	1,818,416	2,777,448	(19,910,012)	-	(19,910,012)
Business type activities:						
Non-instructional programs:						
Nutrition services	1,514,537	367,694	1,145,801	-	(1,042)	(1,042)
Total	<u>\$ 26,020,413</u>	<u>2,186,110</u>	<u>3,923,249</u>	<u>(19,910,012)</u>	<u>(1,042)</u>	<u>(19,911,054)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,661,122	-	4,661,122
Debt service				378,866	-	378,866
Capital outlay				130,135	-	130,135
Income surtax				663,009	-	663,009
Statewide sales, services and use tax				1,993,840	-	1,993,840
Unrestricted state grants				13,631,163	-	13,631,163
Unrestricted investment earnings				24,427	742	25,169
Other				132,221	3,645	135,866
Total general revenues				<u>21,614,783</u>	<u>4,387</u>	<u>21,619,170</u>
Changes in net position				1,704,771	3,345	1,708,116
Net position beginning of year, as restated				<u>8,796,649</u>	<u>652,445</u>	<u>9,449,094</u>
Net position end of year				<u>\$ 10,501,420</u>	<u>655,790</u>	<u>11,157,210</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ -	-	3,058,043	-	3,058,043
Other	5,197,998	1,846,919	1,106,345	503,252	8,654,514
Receivables:					
Property tax:					
Delinquent	51,142	1,614	4,700	4,336	61,792
Succeeding year	4,627,669	131,216	374,397	360,000	5,493,282
Income surtax	608,118	-	-	-	608,118
Accounts	888	-	-	11,527	12,415
Due from other funds	454	-	-	-	454
Due from other governments	671,820	369,974	-	-	1,041,794
Inventories	8,372	-	-	-	8,372
TOTAL ASSETS	\$ 11,166,461	2,349,723	4,543,485	879,115	18,938,784
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 188,429	88,449	-	5,973	282,851
Salaries and benefits payable	2,153,745	-	-	-	2,153,745
Total liabilities	2,342,174	88,449	-	5,973	2,436,596
Deferred inflows of resources:					
Deferred revenue:					
Succeeding year property tax	4,627,669	131,216	374,397	360,000	5,493,282
Income surtax	608,118	-	-	-	608,118
Total deferred inflows of resources	5,235,787	131,216	374,397	360,000	6,101,400
Fund balances:					
Restricted for:					
Nonspendable	8,372	-	-	-	8,372
Categorical funding	473,692	-	-	-	473,692
Management levy purposes	-	-	-	373,066	373,066
Student activities	-	-	-	141,776	141,776
School infrastructure	-	1,895,621	-	-	1,895,621
Physical plant and equipment	-	234,437	-	-	234,437
Debt service	-	-	4,169,088	-	4,169,088
Unassigned:					
General	3,106,436	-	-	-	3,106,436
Student activities	-	-	-	(1,700)	(1,700)
Total fund balances	3,588,500	2,130,058	4,169,088	513,142	10,400,788
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,166,461	2,349,723	4,543,485	879,115	18,938,784

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds (page 22)		\$ 10,400,788
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		19,947,945
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		608,118
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(113,282)
Pension related deferred outflows of resources and deferred inflows of resources are not due and papayble in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,740,972	
Deferred inflows of resources	<u>(3,091,572)</u>	(1,350,600)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other postemployment benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(18,991,549)</u>
Net position of governmental activities (page 20)		<u><u>\$ 10,501,420</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,941,127	130,135	378,866	364,310	5,814,438
Tuition	1,205,183	-	-	-	1,205,183
Other	172,086	5,049	13,305	604,165	794,605
Intermediate sources	20,681	-	-	-	20,681
State sources	15,072,524	1,994,988	3,341	3,419	17,074,272
Federal sources	1,282,774	-	-	-	1,282,774
Total revenues	<u>22,694,375</u>	<u>2,130,172</u>	<u>395,512</u>	<u>971,894</u>	<u>26,191,953</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	8,779,664	3,923	-	126,303	8,909,890
Special	2,521,037	-	-	-	2,521,037
Other	3,580,469	-	-	621,777	4,202,246
	<u>14,881,170</u>	<u>3,923</u>	<u>-</u>	<u>748,080</u>	<u>15,633,173</u>
Support services:					
Student	703,783	-	-	1,500	705,283
Instructional staff	1,196,871	35,716	-	5,250	1,237,837
Administration	2,030,664	-	-	18,776	2,049,440
Operation and maintenance of plant	1,881,772	210,200	-	196,302	2,288,274
Transportation	908,233	149,384	-	16,703	1,074,320
	<u>6,721,323</u>	<u>395,300</u>	<u>-</u>	<u>238,531</u>	<u>7,355,154</u>
Non-instructional programs:					
Community service operations	7,828	-	-	-	7,828
Capital outlay	-	817,752	-	-	817,752
Long-term debt:					
Principal	-	-	845,000	-	845,000
Interest and fiscal charges	-	-	374,765	-	374,765
	<u>-</u>	<u>-</u>	<u>1,219,765</u>	<u>-</u>	<u>1,219,765</u>
Other expenditures:					
AEA flowthrough	894,710	-	-	-	894,710
Total expenditures	<u>22,505,031</u>	<u>1,216,975</u>	<u>1,219,765</u>	<u>986,611</u>	<u>25,928,382</u>
Excess(Deficiency) of revenues over(under) expenditures	189,344	913,197	(824,253)	(14,717)	263,571
Other financing sources(uses):					
Transfer in	-	-	358,579	-	358,579
Transfer out	-	(358,579)	-	-	(358,579)
Sale of equipment	6,950	-	-	-	6,950
Total other financing sources(uses)	<u>6,950</u>	<u>(358,579)</u>	<u>358,579</u>	<u>-</u>	<u>6,950</u>
Change in fund balance	196,294	554,618	(465,674)	(14,717)	270,521
Fund balance beginning of year	<u>3,392,206</u>	<u>1,575,440</u>	<u>4,634,762</u>	<u>527,859</u>	<u>10,130,267</u>
Fund balance end of year	<u>\$ 3,588,500</u>	<u>2,130,058</u>	<u>4,169,088</u>	<u>513,142</u>	<u>10,400,788</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds (page 24)	\$	270,521
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	\$ 914,538	
Depreciation expense	(888,170)	
Loss on asset disposal	<u>(46,870)</u>	(20,502)
 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.		
		845,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		10,950
 Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		
		18,694
 The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		
		1,265,683
 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.		
Net pension liability	\$ (613,625)	
Other postemployment benefits	<u>(71,950)</u>	<u>(685,575)</u>
 Change in net position of governmental activities (page 21)	 \$	 <u><u>1,704,771</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 518,943
Accounts receivable	9,006
Due from other governments	23,190
Inventories	12,503
Total current assets	563,642
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	427,989
TOTAL ASSETS	991,631
 DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	58,398
 LIABILITIES	
Current liabilities:	
Due to other funds	454
Salaries and benefits payable	4,238
Unearned revenue	10,961
Total current liabilities	15,653
Long-term liabilities:	
Net pension liability	273,176
Net OPEB liability	1,228
Total long-term liabilities	274,404
TOTAL LIABILITIES	290,057
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	104,182
 NET POSITION	
Net investment in capital assets	427,989
Unrestricted	227,801
TOTAL NET POSITION	\$ 655,790

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 367,694
Miscellaneous	3,645
TOTAL OPERATING REVENUES	371,339
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	507,228
Benefits	69,457
Services	17,646
Supplies	856,810
Depreciation	63,396
TOTAL OPERATING EXPENSES	1,514,537
OPERATING LOSS	(1,143,198)
NON-OPERATING REVENUES(EXPENSES):	
Interest	742
State sources	12,108
Federal sources	1,133,693
TOTAL NON-OPERATING REVENUES(EXPENSES)	1,146,543
Change in net position	3,345
Net position beginning of year, as restated	652,445
Net position end of year	\$ 655,790

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 363,782
Cash received from miscellaneous operating activities	3,645
Cash payments to employees for services	(607,265)
Cash payments to suppliers for goods or services	(848,215)
Net cash used in operating activities	(1,088,053)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	454
State grants received	12,108
Federal grants received	1,064,266
Net cash provided by non-capital financing activities	1,076,828
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(74,564)
Cash flows from investing activities:	
Interest on investments	742
Net decrease in cash and cash equivalents	(85,047)
Cash and cash equivalents at beginning of year	603,990
Cash and cash equivalents at end of year	\$ 518,943
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,143,198)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	70,572
Depreciation	63,396
Increase in inventories	(6,574)
Increase in accounts receivable	(2,507)
Decrease in accounts payable	(37,757)
Decrease in salaries and benefits payable	(9,388)
Decrease in unearned revenue	(1,405)
Decrease in net pension liability	(107,737)
Increase in deferred outflows of resources	(18,148)
Increase in deferred inflows of resources	104,182
Increase in other postemployment benefits	511
Net cash used in operating activities	\$ (1,088,053)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$70,572.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 103,508
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 103,508</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest	\$ 762
Contributions	3,278
TOTAL ADDITIONS	<u>4,040</u>
DEDUCTIONS:	
Instruction:	
Other:	
Scholarships awarded	<u>4,950</u>
Change in net position	(910)
Net position beginning of year	<u>104,418</u>
Net position end of year	<u>\$ 103,508</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

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

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

Nonspendable - Amounts that include inventory in the General Fund.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the support services functions.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$266 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates. At June 30, 2015, the District had investments in the U.S. Treasury Securities of \$3,058,043.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 454

The Enterprise: School Nutrition Fund is repaying the General Fund for the salary of a substitute nutrition worker.

(4) Interfund Transfers

Transfers for the year ended June 30, 2015 are as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 358,579

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

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 6,645,000	-	230,000	6,415,000	3,255,000
Revenue Bonds	4,825,000	-	615,000	4,210,000	195,000
Net pension liability	11,303,538	-	3,197,073	8,106,465	-
Net OPEB liability	188,134	71,950	-	260,084	-
Total	\$ 22,961,672	71,950	4,042,073	18,991,549	3,450,000
<u>Business type activities:</u>					
Net pension liability	\$ 380,913	-	107,737	273,176	-
Net OPEB liability	717	511	-	1,228	-
Total	\$ 381,630	511	107,737	274,404	-

General Obligation Bonds Payable

On March 13, 2013, the District issued \$3,160,000 of general obligation refunding bonds, with interest rates ranging from 3.85% to 4.13%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 2006. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the

\$3,015,000 principal of the refunded general obligation bonds when they become callable on May 1, 2016 and the interest from November 1, 2013 to and including May 1, 2016 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the District's June 30, 2015 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			Bond Issue of March 13, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	5.00 % \$	240,000	133,896	2.00 % \$	-	54,919	240,000	188,815	428,815
2017	3.85	250,000	121,896	2.00	290,000	54,919	540,000	176,815	716,815
2018	3.90	260,000	112,271	2.00	300,000	49,119	560,000	161,390	721,390
2019	3.95	270,000	102,131	2.00	305,000	43,119	575,000	145,250	720,250
2020	4.00	280,000	91,466	1.25	300,000	37,019	580,000	128,485	708,485
2021-2025	4.05-4.13	1,595,000	277,174	1.38-1.88	1,625,000	118,280	3,220,000	395,454	3,615,454
2026	4.13	360,000	7,425	2.00	340,000	6,800	700,000	14,225	714,225
Total		\$ 3,255,000	846,259		\$ 3,160,000	364,175	6,415,000	1,210,434	7,625,434

Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2010			
	Interest Rates	Principal	Interest	Total
2016	3.00 % \$	195,000	160,700	355,700
2017	3.00	200,000	154,775	354,775
2018	3.00	210,000	148,625	358,625
2019	3.20	215,000	142,035	357,035
2020	3.40	225,000	134,770	359,770
2021-2025	3.60-4.00	1,285,000	536,770	1,821,770
2026-2030	4.15-4.50	1,880,000	239,907	2,119,907
Total		\$ 4,210,000	1,517,582	5,727,582

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,585,000 bonds issued July 1, 2010. The bonds were issued for the purpose of defeasement of \$2,235,000 in principal of the May 1, 2006 bond issue as well as defray costs of renovations of the Broadway Elementary building and construction of a new bus barn. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,727,582. For the current year \$615,000 in principal and \$172,850 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,993,840.

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

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

(6) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 191,680	-	-	191,680
Total capital assets not being depreciated	191,680	-	-	191,680
Capital assets being depreciated:				
Buildings	25,034,997	79,685	-	25,114,682
Land improvements	1,595,796	480,846	95,999	1,980,643
Machinery and equipment	2,782,882	354,007	119,610	3,017,279
Total capital assets being depreciated	29,413,675	914,538	215,609	30,112,604
Less accumulated depreciation for:				
Buildings	6,930,912	515,026	-	7,445,938
Land improvements	726,535	91,537	65,523	752,549
Machinery and equipment	1,979,461	281,607	103,216	2,157,852
Total accumulated depreciation	9,636,908	888,170	168,739	10,356,339
Total capital assets being depreciated, net	19,776,767	26,368	46,870	19,756,265
Governmental activities capital assets, net	\$ 19,968,447	26,368	46,870	19,947,945
<u>Business type activities:</u>				
Machinery and equipment	\$ 738,656	74,564	-	813,220
Less accumulated depreciation	321,835	63,396	-	385,231
Business type activities capital assets, net	\$ 416,821	11,168	-	427,989

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,449
Other	17,098
Support services:	
Instructional staff	4,175
Administration	1,880
Operation and maintenance	58,320
Transportation	154,450
	<u>259,372</u>
Unallocated depreciation	<u>628,798</u>
Total governmental activities depreciation expense	<u>\$ 888,170</u>
Business type activities:	
Food services	<u>\$ 63,396</u>

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,308,064.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$8,379,641 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.207054 percent, which was an increase of 0.000688 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$634,303. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,070	\$ -
Changes of assumptions	369,812	-
Net difference between projected and actual earnings on pension plan investments	-	3,195,754
Changes in proportion and differences between District contributions and proportionate share of contributions	30,424	-
District contributions subsequent to the measurement date	1,308,064	-
Total	\$ 1,799,370	\$ 3,195,754

\$1,308,064 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (684,147)
2017	(684,147)
2018	(684,147)
2019	(684,147)
2020	32,141
	<u>\$ (2,704,447)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 15,833,097	\$ 8,379,641	\$ 2,088,153

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$192,708 for legally required employer contributions and \$128,400 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 198 active and 21 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/ prescription drug benefit as active employees, which results in an implicit and explicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 219,750
Interest on net OPEB obligation	8,498
Adjustment to annual required contribution	(7,536)
Annual OPEB cost (expense)	<u>220,712</u>
Contributions made	(148,250)
Increase in net OPEB obligation	<u>72,462</u>
Net OPEB obligation - beginning of year	<u>188,851</u>
Net OPEB obligation - end of year	<u><u>\$ 261,313</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 201,108	95.7%	\$ 167,986
2014	207,563	89.9%	188,851
2015	220,712	67.2%	261,313

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2.281 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.281 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.515 million, and the ratio of the UAAL to the covered payroll was 18.2%. As of June 30, 2015, there were no trust fund assets.

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

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

As of July 1, 2014 actuarial valuation date, the projected unit credit 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 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2014 Combined Healthy Generational Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2011 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$5,995,923 in the governmental activities. The Student Activity Fund had one account with a deficit unassigned fund balance of \$1,700.

(10) Risk Management

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$894,710 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District’s restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Limited english proficiency weighting	\$ 65,650
Talented and gifted	175,981
Professional development	6,372
Successful progression for early readers	57,866
Statewide voluntary preschool	96,357
English language literacy	70,951
Destination graduation	515
Total	<u>\$ 473,692</u>

(13) Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	4,169,088	3,106,436
Capital assets, net of accumulated depreciation	19,947,945	-	-
General obligation bond capitalized indebtedness	(3,356,957)	-	-
Revenue bond capitalized indebtedness	(4,210,000)	-	-
Escrow for crossover refunding bonds	-	(3,058,043)	-
Accrued interest payable	-	(113,282)	-
Nonspendable balance	-	-	8,372
Unassigned student activity fund balance	-	-	(1,700)
Income surtax	-	-	608,118
Net pension liability	-	-	(8,106,465)
Pension related deferred outflows of resources	-	-	1,740,972
Pension related deferred inflows of resources	-	-	(3,091,572)
Net OPEB liability	-	-	(260,084)
Net position (Exhibit A)	<u>\$ 12,380,988</u>	<u>997,763</u>	<u>(5,995,923)</u>

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 18,905,772	\$ 993,108
Net pension liability at June 30, 2014	(11,303,538)	(380,913)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	1,194,415	40,250
Net position July 1, 2014, as restated	<u>\$ 8,796,649</u>	<u>\$ 652,445</u>

(15) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the support services functional area.

Denison Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 7,814,226	372,081	8,186,307	9,835,911	9,835,911	(1,649,604)
Intermediate sources	20,681	-	20,681	20,000	20,000	681
State sources	17,074,272	12,108	17,086,380	15,006,607	15,006,607	2,079,773
Federal sources	1,282,774	1,133,693	2,416,467	2,230,000	2,230,000	186,467
Total revenues	<u>26,191,953</u>	<u>1,517,882</u>	<u>27,709,835</u>	<u>27,092,518</u>	<u>27,092,518</u>	<u>617,317</u>
Expenditures/Expenses:						
Instruction	15,633,173	-	15,633,173	16,305,000	16,305,000	671,827
Support services	7,355,154	-	7,355,154	7,354,000	7,354,000	(1,154)
Non-instructional programs	7,828	1,514,537	1,522,365	1,800,000	1,800,000	277,635
Other expenditures	2,932,227	-	2,932,227	3,206,941	3,206,941	274,714
Total expenditures/expenses	<u>25,928,382</u>	<u>1,514,537</u>	<u>27,442,919</u>	<u>28,665,941</u>	<u>28,665,941</u>	<u>1,223,022</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	263,571	3,345	266,916	(1,573,423)	(1,573,423)	1,840,339
Other financing sources, net	<u>6,950</u>	<u>-</u>	<u>6,950</u>	<u>5,000</u>	<u>5,000</u>	<u>1,950</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	270,521	3,345	273,866	(1,568,423)	(1,568,423)	1,842,289
Balance beginning of year, as restated	<u>10,130,267</u>	<u>652,445</u>	<u>10,782,712</u>	<u>10,302,707</u>	<u>10,302,707</u>	<u>480,005</u>
Balance end of year	<u>\$ 10,400,788</u>	<u>655,790</u>	<u>11,056,578</u>	<u>8,734,284</u>	<u>8,734,284</u>	<u>2,322,294</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2015, expenditures in the support services function exceeded the amounts budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2008	\$ -	\$ 1,810	\$ 1,810	0.00 %	\$ 9,330	19.4 %
2011	July 1, 2008	-	1,810	1,810	0.00	8,837	20.5
2012	July 1, 2010	-	1,717	1,717	0.00	10,092	17.0
2013	July 1, 2012	-	2,184	2,184	0.00	10,596	20.6
2014	July 1, 2012	-	2,184	2,184	0.00	11,960	18.3
2015	July 1, 2014	-	2,281	2,281	0.00	12,515	18.2

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*

	2015
District's proportion of the net pension liability	0.207054%
District's proportionate share of the net pension liability	\$ 8,379,641
District's covered-employee payroll	\$ 14,647,972
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.21%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,308,064	1,234,665	1,158,263	1,019,438	836,383	772,358	720,921	649,202	560,800	530,332
Contributions in relation to the statutorily required contribution	<u>(1,308,064)</u>	<u>(1,234,665)</u>	<u>(1,158,263)</u>	<u>(1,019,438)</u>	<u>(836,383)</u>	<u>(772,358)</u>	<u>(720,921)</u>	<u>(649,202)</u>	<u>(560,800)</u>	<u>(530,332)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 14,647,972	13,826,036	13,359,435	12,632,441	12,034,288	11,113,065	11,353,087	10,730,612	9,753,043	9,223,165
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

DENISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 372,738	130,514	503,252
Receivables:			
Property tax:			
Delinquent	4,336	-	4,336
Succeeding year	360,000	-	360,000
Accounts	-	11,527	11,527
TOTAL ASSETS	\$ 737,074	142,041	879,115
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,008	1,965	5,973
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	360,000	-	360,000
Fund balances:			
Restricted for:			
Management levy purposes	373,066	-	373,066
Student activities	-	141,776	141,776
Unrestricted:			
Student activities	-	(1,700)	(1,700)
Total fund balances	373,066	140,076	513,142
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 737,074	142,041	879,115

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 364,310	-	364,310
Other	20,894	583,271	604,165
State sources	3,419	-	3,419
Total revenues	<u>388,623</u>	<u>583,271</u>	<u>971,894</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	126,303	-	126,303
Other	-	621,777	621,777
Support services:			
Student	1,500	-	1,500
Instructional staff	5,250	-	5,250
Administration	18,776	-	18,776
Operation and maintenance of plant	196,302	-	196,302
Transportation	16,703	-	16,703
Total expenditures	<u>364,834</u>	<u>621,777</u>	<u>986,611</u>
Change in fund balances	23,789	(38,506)	(14,717)
Fund balances beginning of year	<u>349,277</u>	<u>178,582</u>	<u>527,859</u>
Fund balances end of year	<u>\$ 373,066</u>	<u>140,076</u>	<u>513,142</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,614,096	232,823	1,846,919
Receivables:			
Property tax:			
Delinquent	-	1,614	1,614
Succeeding year	-	131,216	131,216
Due from other governments	369,974	-	369,974
TOTAL ASSETS	\$ 1,984,070	365,653	2,349,723
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 88,449	-	88,449
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	131,216	131,216
Fund balances:			
Restricted for:			
School infrastructure	1,895,621	-	1,895,621
Physical plant and equipment	-	234,437	234,437
Total fund balances	1,895,621	234,437	2,130,058
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,984,070	365,653	2,349,723

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	130,135	130,135
Other	4,375	674	5,049
State sources	1,993,840	1,148	1,994,988
Total revenues	1,998,215	131,957	2,130,172
EXPENDITURES:			
Current:			
Instruction:			
Regular	2,700	1,223	3,923
Support services:			
Instructional staff	8,710	27,006	35,716
Operation and maintenance of plant	210,200	-	210,200
Transportation	149,384	-	149,384
Capital outlay	817,329	423	817,752
Total expenditures	1,188,323	28,652	1,216,975
Excess of revenues over expenditures	809,892	103,305	913,197
Other financing uses:			
Transfer out	(358,579)	-	(358,579)
Change in net position	451,313	103,305	554,618
Net position beginning of year	1,444,308	131,132	1,575,440
Net position end of year	\$ 1,895,621	234,437	2,130,058

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 2,156	-	244	1,912
Drama rental	485	-	-	485
Vocal	-	8,839	8,839	-
Show choir	-	3,715	2,847	868
Instrumental	12,960	90,459	103,419	-
MS band	3,401	4,017	2,498	4,920
Athletics	47,880	123,500	145,983	25,397
Cross country	-	3,667	3,089	578
Art club	1,185	360	394	1,151
Baseball club	10,360	24,426	23,358	11,428
Basketball club	-	11,425	11,425	-
Football club	4,990	12,010	10,906	6,094
World language club	334	-	334	-
Boys golf club	3,408	1,690	2,082	3,016
Girl golf club	174	170	52	292
Health career club	2,844	750	570	3,024
Industrial arts club	921	-	-	921
Softball club	7,611	12,401	11,433	8,579
Boys tennis club	-	613	613	-
Girls tennis club	1,162	3,457	3,610	1,009
Track club	529	-	529	-
Volleyball club	2,266	7,865	7,599	2,532
Wrestling club	1,979	2,475	3,503	951
Boys soccer	1,426	2,674	2,662	1,438
Fitness center	211	580	127	664
Girls soccer	2,092	2,827	4,261	658
National honor society	921	280	154	1,047
Activity ticket	18	11,410	11,428	-
Academic decathlon	-	1,166	1,166	-
Girls basketball	903	6,044	6,947	-
Business 2000	785	-	43	742
Cheerleaders	634	6,692	7,326	-
Concessions	-	48,644	48,644	-
Elementary activity	3,737	26,893	27,887	2,743
FFA	15,400	46,731	50,928	11,203
Bowling club	386	880	780	486
Insufficient checks	-	740	740	-
FCCLA	3,872	1,490	1,141	4,221
Interest	-	250	250	-
MS activity	5,677	27,496	24,458	8,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS pop fund	-	3,854	3,854	-
Students assist	-	242	-	242
Student ambassador	-	669	669	-
Student senate	20,570	29,614	30,839	19,345
Yearbook	987	-	987	-
Girls track	-	2,296	2,296	-
Purple Pride	436	1,407	896	947
MS concessions	-	7,406	7,406	-
Mariachi Band	286	3,794	2,864	1,216
Musical	-	4,713	4,713	-
Forensics	-	8,581	8,581	-
Broadway elementary	7,809	17,326	18,968	6,167
Key club	184	3,496	2,720	960
Change	-	-	1,700	(1,700)
Graduation	7,603	3,237	3,015	7,825
Total	\$ 178,582	583,271	621,777	140,076

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Riggleman Scholarship	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 19,988	3,068	12,472	67,980	103,508
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 19,988	3,068	12,472	67,980	103,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DENISON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Riggleman Scholarship	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ADDITIONS:					
Local sources:					
Interest	\$ 26	-	66	670	762
Contributions	2,000	1,278	-	-	3,278
TOTAL ADDITIONS	2,026	1,278	66	670	4,040
DEDUCTIONS:					
Instruction:					
Other:					
Scholarships awarded	2,500	1,950	-	500	4,950
Change in net position	(474)	(672)	66	170	(910)
Net position beginning of year	20,462	3,740	12,406	67,810	104,418
Net position end of year	\$ 19,988	3,068	12,472	67,980	103,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 5,814,438	5,594,461	6,899,383	6,307,916	5,875,127	5,503,479	5,160,031	4,960,166	4,762,011	4,242,492
Tuition	1,205,183	1,191,601	1,225,767	1,341,712	971,269	1,030,918	1,048,663	1,051,805	1,089,459	949,792
Other	794,605	725,617	764,378	765,029	1,136,461	623,548	754,469	1,067,344	1,302,002	1,111,703
Intermediate sources	20,681	19,899	21,921	15,065	25,929	16,097	70,023	9,591	-	1,495
State sources	17,074,272	16,605,303	13,900,935	13,020,548	12,024,178	10,404,882	11,219,111	10,694,202	10,072,320	9,484,543
Federal sources	1,282,774	1,287,693	1,255,165	1,108,722	2,934,468	2,544,259	1,362,619	1,149,172	1,472,722	1,132,611
Total	\$ 26,191,953	25,424,574	24,067,549	22,558,992	22,967,432	20,123,183	19,614,916	18,932,280	18,698,514	16,922,636
Expenditures:										
Instruction:										
Regular	\$ 8,909,890	8,472,805	9,052,251	8,244,860	7,188,488	7,422,924	7,054,027	6,720,642	5,746,997	5,737,369
Special	2,521,037	2,459,620	2,502,128	2,422,224	2,074,679	2,045,282	2,116,784	2,049,794	1,797,185	1,876,874
Other	4,202,246	4,020,376	3,723,720	3,252,025	3,886,528	3,016,204	2,855,764	2,480,169	2,935,405	2,494,860
Support services:										
Student	705,283	627,052	654,645	693,105	601,621	583,261	561,680	578,550	497,592	499,623
Instructional staff	1,237,837	1,174,227	920,688	761,608	975,503	646,862	705,866	864,107	596,334	502,824
Administration	2,049,440	1,823,404	1,789,955	1,692,272	1,725,304	1,572,611	1,611,937	1,483,141	1,407,915	1,427,585
Operation and maintenance of plant	2,288,274	2,141,618	1,918,702	1,849,476	1,756,679	1,581,389	1,622,136	1,650,339	1,387,985	1,299,206
Transportation	1,074,320	1,067,380	1,079,780	1,066,428	741,042	786,589	729,187	823,859	730,200	706,862
Non-instructional programs	7,828	4,227	80	-	-	-	-	-	-	-
Other expenditures:										
Facilities acquisitions	817,752	306,245	462,660	591,842	4,686,821	677,074	749,239	4,012,528	6,584,913	1,564,374
Long-term debt:										
Principal	845,000	820,000	795,000	775,000	195,000	690,000	744,156	683,615	460,000	-
Interest and fiscal charges	374,765	408,913	394,218	399,271	343,446	297,096	333,643	350,465	315,641	97
AEA flow-through	894,710	870,505	821,886	789,480	813,046	780,684	673,787	632,819	600,363	573,992
Total	\$ 25,928,382	24,196,372	24,115,713	22,537,591	24,988,157	20,099,976	19,758,206	22,330,028	23,060,530	16,683,666

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 223,001
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	834,215 *
SUMMER FOOD SERVICE PROGRAM	10.559	FY 15	23,190
			<u>1,080,406</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 15	<u>53,287</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	689,879
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	30,982
			<u>720,861</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 15	<u>161,101</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 15	<u>11,506</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 15	<u>64,788</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 15	<u>10,730</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>27,554</u>
AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 15	115,492
SPECIAL EDUCATION GRANTS TO STATES(PART B) - HIGH COST CLAIM	84.027	FY 15	35,811
			<u>151,303</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 15	<u>118,940</u>
TOTAL			<u>\$ 2,400,476</u>

* - Includes \$70,572 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Denison Community School District

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies that we considered to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denison Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 29, 2015
Newton, Iowa

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

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

To the Board of Education of Denison Community School District:

Report on Compliance for Each Major Federal Program

We have audited Denison Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Denison Community School District's major federal programs for the year ended June 30, 2015. Denison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Denison Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 29, 2015
Newton, Iowa

DENISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Disbursements - check preparation, mailing and recording.
- 2) Wire transfers - processing and approving.
- 3) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 4) Financial reporting - preparing, reconciling and approving.

- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) School lunch program - recording, journalizing, posting, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
 CFDA Number 10.555: National School Lunch Program
 CFDA Number 10.559: Summer Food Service Program
 Federal Award Year: 2015
 U.S. Department of Agriculture
 Passed through the Iowa Department of Education

CFDA Number 84.010: Title I - Schools in Need of Assistance (SINA)
 CFDA Number 84.010: Title I - Grants to Local Educational Agencies
 Federal Award Year: 2015
 U.S. Department of Education
 Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

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

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the support services functional area.

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 - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-15 Questionable Disbursements - We noted reimbursements to employees for items purchased with personal credit cards for the full purchase price, including sales tax for items purchased at local retailers. As the District is a tax-exempt entity reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District has reviewed its procedures and sales tax will not be reimbursed to employees who have purchased items with personal credit cards in the future.

Conclusion - Response accepted.

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted enrollment data certified to the Iowa Department of Education was overstated by 0.22 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,444,308
Revenues:			
Sales tax revenues	\$	1,993,840	
Other local revenues		4,375	1,998,215
			<u>3,442,523</u>
Expenditures/transfer out:			
School infrastructure construction		753,509	
Equipment		417,856	
Other		16,958	
Transfer to another fund:			
Debt service fund		358,579	1,546,902
			<u>1,546,902</u>
Ending balance			<u>\$ 1,895,621</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$5,995,923 in the governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The District also had one account in the Student Activity Fund with a deficit unassigned fund balance of \$1,700.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$8,106,465 at June 30, 2015. (See Note 14, Accounting Change/Restatement).

Conclusion - Response accepted.