

Denver Community School District

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

June 30, 2015

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Position	G	22
Statement of Revenues, Expenses and Changes in Fund Net Position	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	25
Statement of Changes in Fiduciary Net Position	K	26
Notes to Financial Statements		27-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information-Budgetary Reporting		43
Schedule of the District's Proportionate Share of the Net Pension Liability		44
Schedule of District Contributions		45
Notes to Required Supplementary Information – Pension Liability		46
Schedule of Funding Progress for the Retiree Health Plan		47
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Project Accounts:		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures and Changes in Balances	4	51
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	5	52-53
Schedule of Revenues by Source and Expenditures by Function-All Governmental Funds	6	54
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 <u>Government Auditing Standards</u>		55-56
Schedule of Findings		57-63

**Denver Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Scott Krebsbach	President	2017
Heather Prendergast	Vice President	2015
Pat Giesler	Board Member	2015
Carter Stevens	Board Member	2017
Jeff Schumacher	Board Member	2015
<b>School Officials</b>		
Brad Laures	Superintendent	2015
Calli Landenberger*	Business Manager /Board Secretary	2015
Becky Walters**	Business Manager /Board Secretary	2015
Ahlers & Cooney	Attorney	2015

\*Resigned October 8, 2014

\*\*Board appointed November 12, 2014

Independent Auditor's Report

To the Board of Education of  
Denver Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, Denver Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My 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 4 through 13 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

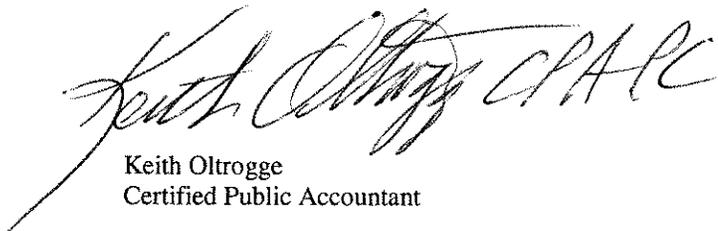
### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 23, 2016 on my consideration of Denver Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denver Community School District's internal control over financial reporting and compliance.



Keith Oltrogge  
Certified Public Accountant

February 23, 2016

**Denver Community School District**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2015**

Denver Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,975,196 in fiscal 2014 to \$7,183,790 in fiscal 2015, while General Fund expenditures decreased from \$7,323,289 in fiscal 2014 to \$6,752,550 in fiscal 2015. The District's General Fund adjusted balance increased from adjusted \$1,017,835 in fiscal 2014 to \$1,449,075 in fiscal 2015, a 42.4% increase.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2015. The decrease in expenditures was due primarily to a decrease in instruction and supportive services costs.
- The District's solvency ratio increased from 11.2% in 2014 to 17.8% in fiscal 2015. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

**USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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 non-major governmental funds.

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

Figure A-1  
Denver Community School District Annual Financial Report

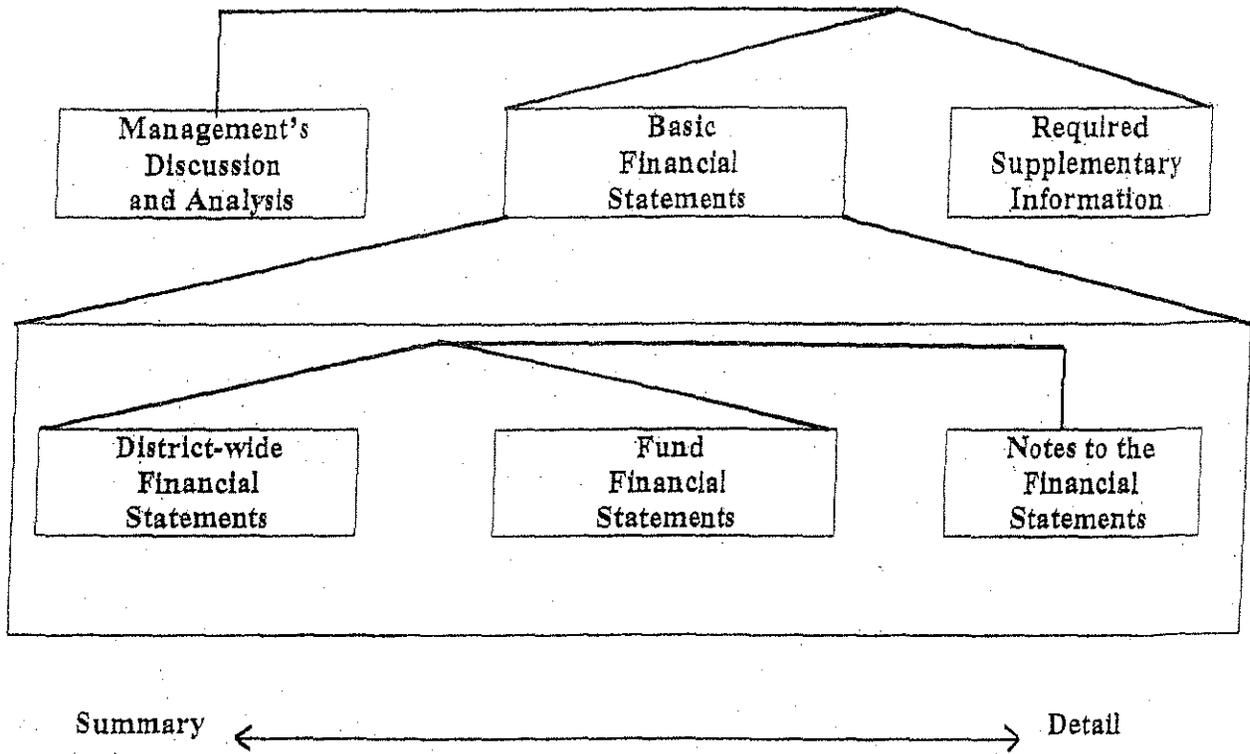


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

**Figure A-2  
Major Features of the Government-wide and Fund Financial Statements (continued):**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 its properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$8,186,339	\$7,459,166	\$105,295	\$110,363	\$8,291,634	\$7,569,529	9.5%
Capital assets	8,581,466	8,928,683	56,682	49,840	8,638,148	8,978,523	-3.8%
Total assets	\$16,767,805	\$16,387,849	\$161,977	\$160,203	\$16,929,782	\$16,548,052	2.3%
Deferred outflows of resources	\$773,597	\$-	\$20,279	\$-	\$793,876	\$-	100%
Long-term liabilities	\$7,573,279	\$5,248,118	\$69,138	\$-	\$7,642,417	\$5,248,118	45.6%
Other liabilities	766,816	814,023	13,573	10,813	780,389	824,836	5.4%
Total liabilities	\$8,340,095	\$6,062,141	\$82,711	\$10,813	\$8,422,806	\$6,072,954	38.7%
Deferred inflows of resources	\$3,769,814	\$2,671,376	\$26,367	\$-	\$3,796,181	\$2,671,376	42.0%
Net position:							
Net investment in capital assets	\$4,401,466	\$4,354,075	\$56,682	\$49,840	\$4,458,148	\$4,403,915	1.2%
Restricted	3,192,748	2,907,921	-	-	3,192,748	2,907,921	9.8%
Unrestricted	-2,162,721	392,336	16,496	99,550	-2,146,225	491,886	-536.3%
Total net position	\$5,431,493	\$7,654,332	\$73,178	\$149,390	\$5,504,671	\$7,803,722	-29.5%

The District's combined net position decreased by nearly 29.5%, or approximately \$2,299,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$285,000, or 9.8% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$2,638,000, or 536.3%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense 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 \$3,288,203 and \$86,198, 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, 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 the 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 District		Total Change
	2015	2014	2015	2014	2015	2014	2014-15
Revenues:		(Not restated)		(Not restated)		(Not restated)	
Program revenues:							
Charges for service	\$780,825	\$779,248	\$227,689	\$229,385	\$1,008,514	\$1,008,633	-
Operating grants, contributions and restricted interest	1,063,003	1,158,904	112,734	112,952	1,175,737	1,271,856	-7.6%
Capital grants, contributions and restricted interest	4,316	684	-	-	4,316	684	531.0%
General revenues:							
Property tax	2,675,316	2,458,250	-	-	2,675,316	2,458,250	8.8%
Income surtax	237,798	233,230	-	-	237,798	233,230	2.0%
Statewide sales, services and use tax	661,815	629,887	-	-	661,815	629,887	5.1%
Unrestricted state grants	3,198,026	3,123,997	-	-	3,198,026	3,123,997	2.4%
Unrestricted investment earnings	25,328	25,402	340	313	25,668	25,715	-0.2%
Other	71,708	60,135	-	-	71,708	60,135	19.2%
Total revenues	\$8,718,135	\$8,469,737	\$340,763	\$342,650	\$9,058,898	\$8,812,387	2.8%
Program expenses:							
Governmental activities:							
Instruction	\$5,126,996	\$5,553,979	\$-	\$-	\$5,126,996	\$5,553,979	-7.7%
Support services	1,957,522	2,316,216	-	-	1,957,522	2,316,216	-15.5%
Non-instructional programs	5,639	5,639	330,777	332,746	336,416	338,385	-0.6%
Other expenses	563,082	479,210	-	-	563,082	479,210	17.5%
Total expenses	\$7,653,239	\$8,355,044	\$330,777	\$332,746	\$7,984,016	\$8,687,790	-8.1%
Change in net position	\$1,064,896	\$114,693	\$9,986	\$9,904	\$1,074,882	\$124,597	762.7%
Net position, beginning of year, as restated	\$4,366,129	\$7,547,083	\$63,192	\$139,486	\$4,429,321	\$7,686,569	-42.4%
Prior period adjustment	468	-7,444	-	-	468	-7,444	1,062.9%
Adjusted net position, beginning of year, as restated	\$4,366,597	\$7,539,639	\$63,192	\$139,486	\$4,429,789	\$7,679,125	-42.3%
Net position, end of year	\$5,431,493	\$7,654,332	\$73,178	\$149,390	\$5,504,671	\$7,803,722	-29.5%

In fiscal year 2015, property tax and unrestricted state grants account for 67.4% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$9.1 million, of which approximately \$8.7 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.8% increase in revenues and an 8.1% decrease in expenses. Property tax increased approximately \$217,000. The decrease in expenses is related to a decrease in instructional and support services expenses.

**Governmental Activities**

Revenues for governmental activities were \$8,718,135 and expenses were \$7,653,239 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 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 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$5,126,996	\$5,553,979	-7.7%	\$3,299,396	\$3,632,533	-9.1%
Support services	1,957,522	2,316,216	-15.5%	1,941,294	2,299,510	15.6%
Non-instructional programs	5,639	5,639	-	5,639	5,639	-
Other expenses	563,082	479,210	17.5%	558,766	478,526	16.8%
<b>Totals</b>	<b>\$7,653,239</b>	<b>\$8,355,044</b>	<b>-8.4%</b>	<b>\$5,805,095</b>	<b>\$6,416,208</b>	<b>-9.5%</b>

During the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$1,008,514.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,175,737.
- The net cost of governmental activities was financed with \$3,574,929 in property and other taxes and \$3,198,026 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$340,763 and expenses were \$330,777. The District’s business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,431,493, above last year’s adjusted ending fund balances of \$4,366,597.

### **Governmental Fund Highlights**

- The General Fund adjusted balance increased from \$1,017,367 to \$1,449,075, due in part to the decrease in expenditures.
- The Debt Service Fund balance increased from \$327,517 in fiscal 2014 to \$329,030 in fiscal 2015, due in part to the increase in the operating transfer in.
- The Capital Projects Fund balance increased during fiscal 2015. The District ended fiscal 2014 with a balance of \$2,000,562. Fiscal 2015 ended with a balance of \$2,216,687, due to the decrease in facilities acquisitions.

### **Proprietary Fund Highlights**

- School Nutrition Fund net position increased from adjusted \$63,192 at June 30, 2014 to \$73,178 at June 30, 2015, representing an increase of approximately 15.8%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$17,009 less than budgeted receipts, a variance of 0.2%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the District had invested \$8.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$575,781.

The original cost of the District's capital assets was \$16.49 million. Governmental funds account for \$16.39 million, with the remainder of \$0.10 million accounted for in the Proprietary, School Nutrition Fund.

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

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$211,600	\$211,600	\$-	\$-	\$211,600	\$211,600	-
Construction in process	247,460	155,748	-	-	247,460	155,748	58.8%
Buildings	7,077,416	7,272,801	-	-	7,077,416	7,272,801	-2.7%
Improvements other than buildings	159,081	174,840	-	-	159,081	174,840	-9.0%
Furniture and equipment	885,909	1,113,694	56,682	49,840	942,591	1,163,534	-19.0%
<b>Totals</b>	<b>\$8,581,466</b>	<b>\$8,928,683</b>	<b>\$56,682</b>	<b>\$49,840</b>	<b>\$8,638,148</b>	<b>\$8,978,523</b>	<b>-3.8%</b>

**Long-Term Debt**

At June 30, 2015, the District had \$4,180,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 8.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$17.9 million.

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

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
Capital lease	\$-	\$84,608	-100%
General obligation bonds	810,000	930,000	-12.9%
Revenue bonds	3,370,000	3,560,000	-5.3%
	<b>\$4,180,000</b>	<b>\$4,574,608</b>	<b>-8.6%</b>

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

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

- Enrollment decreased 1 student from 2014 to 2015. This will result in decreased state funding.
- The local community voted and approved \$7.2 million of general obligation bonds to build new school facilities.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## Basic Financial Statements

## Denver Community School District

## Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, Cash Equivalents and Pooled Investments	\$ 4,992,921	\$ 96,554	\$ 5,089,475
Receivables:			
Property tax:			
Delinquent	14,705	-	14,705
Succeeding year	2,761,249	-	2,761,249
Income surtax	220,575	-	220,575
Accounts	32,659	303	32,962
Due from other governments	164,230	-	164,230
Inventories	-	8,438	8,438
Capital assets, net of accumulated depreciation/amortization	8,581,466	56,682	8,638,148
<b>Total Assets</b>	<b>\$ 16,767,805</b>	<b>\$ 161,977</b>	<b>\$ 16,929,782</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	\$ 773,597	\$ 20,279	\$ 793,876
<b>Liabilities</b>			
Accounts payable	\$ 144,188	\$ 3,085	\$ 147,273
Salaries and benefits payable	610,568	-	610,568
Unearned revenue	-	10,488	10,488
Accrued interest payable	12,060	-	12,060
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	125,000	-	125,000
Revenue bonds	190,000	-	190,000
Early retirement	36,344	-	36,344
Portion due after one year:			
General obligation bonds payable	685,000	-	685,000
Revenue bonds	3,180,000	-	3,180,000
Early retirement	19,344	-	19,344
Net pension liability	2,637,417	69,138	2,706,555
Net OPEB liability	700,174	-	700,174
<b>Total Liabilities</b>	<b>\$ 8,340,095</b>	<b>\$ 82,711</b>	<b>\$ 8,422,806</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 2,761,249	\$ -	\$ 2,761,249
Pension related deferred inflows	1,008,565	26,367	1,034,932
<b>Total deferred inflows of resources</b>	<b>\$ 3,769,814</b>	<b>\$ 26,367</b>	<b>\$ 3,796,181</b>

See notes to financial statements.

## Denver Community School District

## Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	\$ 4,401,466	\$ 56,682	\$ 4,458,148
Restricted for:			
Categorical funding	247,752	-	247,752
Debt service	329,030	-	329,030
School infrastructure	1,797,238	-	1,797,238
Management levy purposes	252,292	-	252,292
Student activities	146,987	-	146,987
Physical plant and equipment	419,449	-	419,449
Unrestricted	-2,162,721	16,496	-2,146,225
<b>Total Net Position</b>	<b>\$ 5,431,493</b>	<b>\$ 73,178</b>	<b>\$ 5,504,671</b>

Denver Community School District

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 3,793,363	\$ 423,204	\$ 906,466	\$ -
Special instruction	665,399	62,702	110,169	-
Other instruction	668,234	283,669	41,390	-
	<u>\$ 5,126,996</u>	<u>\$ 769,575</u>	<u>\$ 1,058,025</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 138,494	\$ -	\$ 3,650	\$ -
Instructional staff services	250,546	-	-	-
Administration services	740,449	-	-	-
Operation and maintenance of plant services	644,227	11,250	-	-
Transportation services	183,806	-	1,328	-
	<u>\$ 1,957,522</u>	<u>\$ 11,250</u>	<u>\$ 4,978</u>	<u>\$ -</u>
Non-Instructional	<u>\$ 5,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 112,762	\$ -	\$ -	\$ 4,316
Long-term debt interest	153,904	-	-	-
AEA flow-through	296,416	-	-	-
	<u>\$ 563,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,316</u>
Total Governmental Activities	<u>\$ 7,653,239</u>	<u>\$ 780,825</u>	<u>\$ 1,063,003</u>	<u>\$ 4,316</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 330,777	\$ 227,689	\$ 112,734	\$ -
Total	<u>\$ 7,984,016</u>	<u>\$ 1,008,514</u>	<u>\$ 1,175,737</u>	<u>\$ 4,316</u>

Net (Expense) Revenue  
And Changes in Net Position

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Governmental Activities	Business Type Activities	Total
\$ -2,463,693	\$ -	\$ -2,463,693
-492,528	-	-492,528
-343,175	-	-343,175
\$ -3,299,396	\$ -	\$ -3,299,396
\$ -134,844	\$ -	\$ -134,844
-250,546	-	-250,546
-740,449	-	-740,449
-632,977	-	-632,977
-182,478	-	-182,478
\$ -1,941,294	\$ -	\$ -1,941,294
\$ -5,639	\$ -	\$ -5,639
\$ -108,446	\$ -	\$ -108,446
-153,904	-	-153,904
-296,416	-	-296,416
\$ -558,766	\$ -	\$ -558,766
\$ -5,805,095	\$ -	\$ -5,805,095
\$ -	\$ 9,646	\$ 9,646
\$ -5,805,095	\$ 9,646	\$ -5,795,449

**Denver Community School District**

**Statement of Activities**

**Year Ended June 30, 2015**

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

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

---

	Governmental Activities	Business Type Activities		Total
\$	2,330,869	-	\$	2,330,869
	150,928	-		150,928
	193,519	-		193,519
	237,798	-		237,798
	661,815	-		661,815
	3,198,026	-		3,198,026
	25,328	340		25,668
	71,708	-		71,708
<hr/>				
\$	6,869,991	340	\$	6,870,331
<hr/>				
\$	1,064,896	9,986	\$	1,074,882
<hr/>				
\$	4,366,129	63,192	\$	4,429,321
	468	-		468
<hr/>				
\$	4,366,597	63,192	\$	4,429,789
<hr/>				
\$	5,431,493	73,178	\$	5,504,671

## Denver Community School District

Balance Sheet  
Governmental Funds

June 30, 2015

	General	Capital Projects	Debt Service	Non-major	Total
<b>Assets</b>					
Cash, Cash Equivalents and Pooled Investments	\$ 2,081,637	\$ 2,123,926	\$ 328,205	\$ 459,153	\$ 4,992,921
Receivables:					
Property Tax:					
Delinquent	11,720	1,058	825	1,102	14,705
Succeeding year	1,973,296	200,624	537,328	50,001	2,761,249
Income surtax	220,575	-	-	-	220,575
Accounts	32,659	-	-	-	32,659
Due from other governments	60,707	103,523	-	-	164,230
Due from other funds	3,684	-	-	-	3,684
<b>Total Assets</b>	<b>\$ 4,384,278</b>	<b>\$ 2,429,131</b>	<b>\$ 866,358</b>	<b>\$ 510,256</b>	<b>\$ 8,190,023</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 130,764	\$ 11,820	\$ -	\$ 1,604	\$ 144,188
Salaries and benefits payable	610,568	-	-	-	610,568
Due to other funds	-	-	-	3,684	3,684
<b>Total Liabilities</b>	<b>\$ 741,332</b>	<b>\$ 11,820</b>	<b>\$ -</b>	<b>\$ 5,288</b>	<b>\$ 758,440</b>
<b>Deferred inflows of resources:</b>					
<b>Unavailable revenues:</b>					
Succeeding year property tax	\$ 1,973,296	\$ 200,624	\$ 537,328	\$ 50,001	\$ 2,761,249
Other	220,575	-	-	-	220,575
<b>Total deferred inflows of resources</b>	<b>\$ 2,193,871</b>	<b>\$ 200,624</b>	<b>\$ 537,328</b>	<b>\$ 50,001</b>	<b>\$ 2,981,824</b>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Categorical funding	\$ 247,752	\$ -	\$ -	\$ -	\$ 247,752
Debt service	-	-	329,030	-	329,030
Management levy purposes	-	-	-	307,980	307,980
Student activities	-	-	-	146,987	146,987
School infrastructure	-	1,797,238	-	-	1,797,238
Physical plant and equipment	-	419,449	-	-	419,449
Unassigned	1,201,323	-	-	-	1,201,323
<b>Total Fund Balance</b>	<b>\$ 1,449,075</b>	<b>\$ 2,216,687</b>	<b>\$ 329,030</b>	<b>\$ 454,967</b>	<b>\$ 4,449,759</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,384,278</b>	<b>\$ 2,429,131</b>	<b>\$ 866,358</b>	<b>\$ 510,256</b>	<b>\$ 8,190,023</b>

See notes to financial statements.

## Denver Community School District

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

June 30, 2015

<b>Total fund balances of governmental funds (page 18)</b>		\$ 4,449,759
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,581,466
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		220,575
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		-12,060
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	773,597	
Deferred inflows of resources	<u>-1,008,565</u>	-234,968
Long-term liabilities, including bonds, notes payable, early retirement, net pension liability and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds		<u>-7,573,279</u>
<b>Net Position of governmental activities (page 15)</b>		<u>\$ 5,431,493</u>

## Denver Community School District

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

Year Ended June 30, 2015

	General	Capital Projects	Debt Service	Non-major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,337,902	\$ 193,519	\$ 150,928	\$ 200,296	\$ 2,882,645
Tuition	470,431	-	-	-	470,431
Other	116,998	16,791	84	273,556	407,429
Intermediate sources	-	-	-	-	-
State sources	4,097,139	662,725	709	951	4,761,524
Federal sources	161,320	4,316	-	-	165,636
Total Revenues	\$ 7,183,790	\$ 877,351	\$ 151,721	\$ 474,803	\$ 8,687,665
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,405,062	\$ -	\$ -	\$ 80,344	\$ 3,485,406
Special instruction	721,043	-	-	-	721,043
Other instruction	413,696	-	-	284,331	698,027
	\$ 4,539,801	\$ -	\$ -	\$ 364,675	\$ 4,904,476
Support Services:					
Student services	\$ 139,687	\$ -	\$ -	\$ -	\$ 139,687
Instructional staff services	263,543	33,916	-	-	297,459
Administration services	797,704	-	-	46,050	843,754
Operation and maintenance of plant services	563,099	-	-	60,208	623,307
Transportation services	152,300	-	-	-	152,300
	\$ 1,916,333	\$ 33,916	\$ -	\$ 106,258	\$ 2,056,507
Other Expenditures:					
Facilities acquisition	\$ -	\$ 228,185	\$ -	\$ -	\$ 228,185
Long-Term Debt:					
Principal	-	-	394,608	-	394,608
Interest and fiscal charges	-	-	154,725	-	154,725
AEA flow-through	296,416	-	-	-	296,416
	\$ 296,416	\$ 228,185	\$ 549,333	\$ -	\$ 1,073,934
Total Expenditures	\$ 6,752,550	\$ 262,101	\$ 549,333	\$ 470,933	\$ 8,034,917
Excess (deficiency) of revenues over (under) expenditures	\$ 431,240	\$ 615,250	\$ -397,612	\$ 3,870	\$ 652,748
Other financing sources (uses):					
Operating transfers in (out)	-	-399,125	399,125	-	-
Change in fund balances	\$ 431,240	\$ 216,125	\$ 1,513	\$ 3,870	\$ 652,748
Fund balances beginning of year	\$ 1,017,367	\$ 2,000,562	\$ 327,517	\$ 451,097	\$ 3,796,543
Prior period adjustment	468	-	-	-	468
Adjusted beginning fund balances	\$ 1,017,835	\$ 2,000,562	\$ 327,517	\$ 451,097	\$ 3,797,011
Fund Balances End of Year	\$ 1,449,075	\$ 2,216,687	\$ 329,030	\$ 454,967	\$ 4,449,759

See notes to financial statements.

Denver Community School District

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

Year Ended June 30, 2015

Change in fund balances – total governmental funds (page 20) \$ 652,748

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

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

Expenditures for capital assets	\$ 209,698	
Depreciation/amortization expense	<u>-556,915</u>	-347,217

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 30,470

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

Repaid		394,608
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 821

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. 380,804

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 12,312	
Pension expense	35,014	
Other postemployment benefits	<u>-94,664</u>	-47,338

Change in Net Position of Governmental Activities (page 17) \$ 1,064,896

Denver Community School District

Statement of Net Position  
Proprietary Fund

June 30, 2015

	<u>Enterprise, School Nutrition</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash, cash equivalents and pooled investments	\$ 96,554
Accounts receivable	303
Inventories	8,438
<b>Total Current Assets</b>	<u>\$ 105,295</u>
<b>Non-Current Assets:</b>	
Capital assets, net of accumulated depreciation	\$ 56,682
<b>Total Assets</b>	<u>\$ 161,977</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>\$ 20,279</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 3,085
Unearned revenue	10,488
<b>Total Current Liabilities</b>	<u>\$ 13,573</u>
<b>Non-Current liabilities:</b>	
Net pension liability	\$ 69,138
<b>Total non-current liabilities</b>	<u>\$ 69,138</u>
<b>Total Liabilities</b>	<u>\$ 82,711</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>26,367</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 56,682
Unrestricted	16,496
<b>Total Net Position</b>	<u>\$ 73,178</u>

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

**Year Ended June 30, 2015**

	<u>Enterprise, School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 227,689
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 111,575
Benefits	7,446
Purchased services	4,050
Supplies	198,440
Depreciation	8,866
Miscellaneous	400
Total operating expenses	<u>\$ 330,777</u>
Operating loss	<u>\$ -103,088</u>
Non-operating revenues:	
State sources	\$ 3,065
Federal sources	109,669
Interest income	340
Total non-operating revenues	<u>\$ 113,074</u>
Change in net position	\$ 9,986
Net position beginning of year, as restated	<u>63,192</u>
Net Position End of Year	<u>\$ 73,178</u>

See notes to financial statements.

## Denver Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2015

	<u>Enterprise, School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 227,009
Cash paid to employees for services	-129,992
Cash paid to suppliers for goods or services	-175,558
Net cash used by operating activities	<u>\$ -78,541</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,065
Federal grants received	82,723
Net cash provided by non-capital financing activities	<u>\$ 85,788</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -15,708</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 340</u>
Net decrease in cash and cash equivalents	\$ -8,121
Cash and cash equivalents beginning of year	<u>104,675</u>
Cash and Cash Equivalents End of Year	<u>\$ 96,554</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -103,088
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	26,946
Depreciation	8,866
(Increase) in inventories	-2,784
(Increase) in accounts receivable	-268
(Decrease) in unearned revenue	-326
Increase in accounts payable	3,085
(Decrease) in net pension liability	-27,247
(Increase) in deferred outflows of resources	-10,092
Increase in deferred inflows of resources	<u>26,367</u>
Net Cash Used by Operating Activities	<u>\$ -78,541</u>

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

During the year ended June 30, 2015, the District received \$26,946 of federal commodities.

See notes to financial statements.

Denver Community School District

Statement of Net Position  
Fiduciary Funds

June 30, 2015

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 313,981
<b>Total Assets</b>	<u>\$ 313,981</u>
<b>Liabilities</b>	
Accounts payable	\$ -
<b>Total liabilities</b>	<u>\$ -</u>
<b>Net Position</b>	
Reserved for scholarships	<u>\$ 313,981</u>

**Denver 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 income	\$ 2,160
Deductions:	
Support services:	
Scholarships awarded	\$ 5,000
Change in net position	\$ -2,840
Net Position beginning of year	<u>316,821</u>
Net Position End of Year	<u>\$ 313,981</u>

See notes to financial statements.

## Denver Community School District

### Notes to Financial Statements

June 30, 2015

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

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

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

##### A. Reporting Entity

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

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

##### B. Basis of Presentation

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

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20 – 50
Intangibles	5 – 10
Furniture and equipment	5 – 15

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.

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20 – 50
Intangibles	5 – 10
Furniture and equipment	5 – 15

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.

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

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.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized 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.

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

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

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

Unassigned – All amounts not included in the proceeding 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 in the non-instruction and other expenditures functions exceeded the amounts budgeted.

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

The District’s deposits in banks 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; 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 amortized cost of \$12,872 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services.

(3) **Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Project – Statewide sales, services and use tax	<u>\$399,125</u>

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

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 211,600	\$ -	\$ -	\$ 211,600
Construction in process	155,748	91,712	-	247,460
Total capital assets not being depreciated	<u>\$ 367,348</u>	<u>\$ 91,712</u>	<u>\$ -</u>	<u>\$ 459,060</u>
Capital assets being depreciated:				
Buildings	\$ 10,045,923	\$ 23,711	\$ -	\$ 10,069,634
Improvements other than buildings	282,289	-	-	282,289
Furniture and equipment	5,480,354	94,275	-	5,574,629
Total capital assets being depreciated	<u>\$ 15,808,566</u>	<u>\$ 117,986</u>	<u>\$ -</u>	<u>\$ 15,926,552</u>
Less accumulated depreciation for:				
Buildings	\$ 2,773,122	\$ 219,096	\$ -	\$ 2,992,218
Improvements other than buildings	107,449	15,759	-	123,208
Furniture and equipment	4,366,660	322,060	-	4,688,720
Total accumulated depreciation	<u>\$ 7,247,231</u>	<u>\$ 556,915</u>	<u>\$ -</u>	<u>\$ 7,804,146</u>
Total capital assets being depreciated, net	<u>\$ 8,561,335</u>	<u>\$ -438,929</u>	<u>\$ -</u>	<u>\$ 8,122,406</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,928,683</u>	<u>\$ -347,217</u>	<u>\$ -</u>	<u>\$ 8,581,466</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 93,867	\$ 15,708	\$ 3,180	\$ 106,395
Less accumulated depreciation	44,027	8,866	3,180	49,713
Business Type Activities Capital Assets, Net	<u>\$ 49,840</u>	<u>\$ 6,842</u>	<u>\$ -</u>	<u>\$ 56,682</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 440,524
Other	50,869

Support services:

Instructional support	12,484
Operation and maintenance of plant	8,408
Transportation	38,991
Non-Instructional	5,639

Total Depreciation Expense – Governmental Activities \$ 556,915

Business Type Activities:

Food service operations	<u>\$ 8,866</u>
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**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 930,000	\$ -	\$ 120,000	\$ 810,000	\$ 125,000
Revenue bonds	3,560,000	-	190,000	3,370,000	190,000
Capital lease	84,608	-	84,608	-	-
Early retirement	68,000	68,032	80,344	55,688	36,344
Net pension liability	3,676,803	-	1,039,386	2,637,417	-
Net OPEB liability	605,510	94,664	-	700,174	-
<b>Total</b>	<u>\$ 8,924,921</u>	<u>\$ 162,696</u>	<u>\$ 1,514,338</u>	<u>\$ 7,573,279</u>	<u>\$ 351,344</u>
<b>Business type activities:</b>					
Net pension liability	\$ 96,385	\$ -	\$ 27,247	\$ 69,138	\$ -
<b>Total</b>	<u>\$ 96,385</u>	<u>\$ -</u>	<u>\$ 27,247</u>	<u>\$ 69,138</u>	<u>\$ -</u>

Early Retirement

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

General Obligation Bonds Payable

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

Series 2010

Refunding Bond Issue of February 10, 2010				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	2.70%	\$ 125,000	\$ 26,828	\$ 151,828
2017	3.00%	130,000	23,452	153,452
2018	3.20%	130,000	19,553	149,553
2019	3.40%	135,000	15,393	150,393
2020	3.60%	145,000	10,802	155,802
2021	3.85%	145,000	5,582	150,582
Total		\$ 810,000	\$ 101,610	\$ 911,610

Revenue Bonds

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

Series 2010

Refunding Bond Issue of September 15, 2010				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2016	2.10%	\$ 190,000	\$ 117,890	\$ 307,890
2017	2.40%	195,000	113,900	308,900
2018	2.70%	200,000	109,220	309,220
2019	3.00%	205,000	103,820	308,820
2020	3.20%	215,000	97,670	312,670
2021	3.35%	225,000	90,790	315,790
2022	3.50%	230,000	83,252	313,252
2023	3.60%	240,000	75,203	315,203
2024	3.70%	250,000	66,562	316,562
2025	3.85%	260,000	57,313	317,313
2026	4.00%	270,000	47,302	317,302
2027	4.05%	285,000	36,503	321,503
2028	4.10%	295,000	24,960	319,960
2029	4.15%	310,000	15,640	325,640
Total		\$ 3,370,000	\$ 1,040,025	\$ 4,410,025

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,320,000 of bonds issued in September 2010. The bonds were issued for the purpose of financing the construction of the addition to the school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,410,025. For the current year, \$190,000 principal and \$121,310 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$661,815.

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

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

The District complied with all the revenue bond provisions during the year ended June 30, 2015.

During the year ended June 30, 2015, the District made principal, interest and fees payments totaling \$549,333 under the agreements.

**(6) 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](http://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 informational 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 \$380,804.

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 \$2,706,555 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 0.066877 percent, which was an increase of 0.000237 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$205,028. 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	\$ 29,415	\$ -
Changes of assumptions	119,446	-
Net difference between projected and actual earnings on pension plan investments	-	1,032,202
Changes in proportion and differences between District contributions and proportionate share of contributions	10,484	-
District contributions subsequent to the measurement date	634,531	-
Total	<u>\$ 793,876</u>	<u>\$ 1,032,202</u>

\$634,531 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	\$ 295,281
2017	295,281
2018	295,281
2019	295,281
2020	10,424
Total	<u>\$ 1,191,548</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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	28%	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-percentage-point 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	\$5,113,960	\$2,706,555	\$674,456

**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](http://www.ipers.org).

**Payables to the Pension Plan** – At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

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

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

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

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

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

Annual required contribution	\$ 153,000
Interest on net OPEB obligation	27,248
Adjustment to annual required contribution	-24,584
Annual OPEB cost	<u>\$ 155,664</u>
Contributions made	-61,000
Increase in net OPEB obligation	<u>\$ 94,664</u>
Net OPEB obligation beginning of year	<u>605,510</u>
Net OPEB obligation end of year	<u>\$ 700,174</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$452,637 to the medical plan. Plan members eligible for benefits contributed \$2,863, or 0.6% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$135,000	8.14%	\$124,000
June 30, 2011	\$135,000	4.4%	\$253,118
June 30, 2012	\$135,000	8.9%	\$376,359
June 30, 2013	\$153,000	25.5%	\$493,359
June 30, 2014	\$153,000	28.1%	\$605,510
June 30, 2015	\$153,000	39.9%	\$700,174

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$936,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$936,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,349,287 and the ratio of the UAAL to covered payroll was 21.5%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$296,416 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.

**(10) Subsequent Events**

The District has evaluated subsequent events through February 23, 2016 which is the date that the financial statement were available to be issued.

**(11) Categorical Funding**

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

Program	Amount
Dropout Prevention	\$ 74,550
Talented and Gifted	41,469
Teacher Salary Supplement	14,203
Core Curriculum	38,641
Professional Development	39,159
Teacher Mentoring	1,902
Early Literacy	31,138
Teacher Leadership	6,690
Total	<u>\$ 247,752</u>

**(12) Prior Period Adjustment**

The General Fund had a \$468 prior period adjustment.

**(13) Deficit Balances**

One Special Revenue -- Activity Fund account had a deficit balance at June 30, 2015.

**(14) 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	Student Activity	<u>\$3,684</u>

The Student Activity Fund is repaying the General Fund for textbook rental incorrectly recorded in the prior year. The balance is to be repaid by June 30, 2016.

(15) **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:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 7,654,332	149,390
Net pension liability at June 30, 2014	-3,676,803	-96,385
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	388,600	10,187
Net position July 1, 2014, as restated	<u>\$ 4,366,129</u>	<u>63,192</u>

## Required Supplementary Information

Denver Community School District

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

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,760,505	\$ 228,029
Intermediate sources	-	-
State sources	4,761,524	3,065
Federal sources	165,636	109,669
Total Receipts	<u>\$ 8,687,665</u>	<u>\$ 340,763</u>
Disbursements:		
Instruction	\$ 4,904,476	\$ -
Support services	2,056,507	-
Non-instructional programs	-	330,777
Other expenditures	1,073,934	-
Total Disbursements	<u>\$ 8,034,917</u>	<u>\$ 330,777</u>
Excess (deficiency) of revenue over (under) expenditures/expense	\$ 652,748	\$ 9,986
Balances beginning of year	3,796,543	149,390
Prior period adjustment	468	-86,198
Adjusted balances beginning of year	<u>\$ 3,797,011</u>	<u>\$ 63,192</u>
Balances End of Year	<u>\$ 4,449,759</u>	<u>\$ 73,178</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final to Actual Variance
		Original	Final	
\$	3,988,534	\$ 4,705,547	\$ 4,705,547	\$ -717,013
	-	-	-	-
	4,764,589	4,197,890	4,197,890	566,699
	275,305	142,000	142,000	133,305
\$	9,028,428	\$ 9,045,437	\$ 9,045,437	\$ -17,009
\$	4,904,476	\$ 5,621,799	\$ 5,621,799	\$ 717,323
	2,056,507	2,657,000	2,657,000	600,493
	330,777	300,000	310,000	-20,777
	1,073,934	943,790	952,601	-121,333
\$	8,365,694	\$ 9,522,589	\$ 9,541,400	\$ 1,175,706
\$	662,734	\$ -477,152	\$ -495,963	\$ 1,158,697
	3,945,933	3,746,347	3,746,347	199,586
	-85,730	-	-	-85,730
\$	3,860,203	\$ 3,746,347	\$ 3,746,347	\$ 113,856
\$	4,522,937	\$ 3,269,195	\$ 3,250,384	\$ 1,272,553

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$18,811.

During the year ended June 30, 2015, expenditures in the non-instruction and other expenditures functions exceeded the amounts budgeted.

**Denver Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***

**Required Supplementary Information**

		2015
District's proportion of the net pension liability		.066877%
District's proportionate share of the net pension liability	\$	2,706,555
District's covered-employee payroll	\$	4,264,321
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		63.47%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

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

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Denver Community School District**

**Schedule of District Contributions**

**Iowa Public Employees' Retirement System  
Last 10 Fiscal Years**

**Required Supplementary Information**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 380,804	\$ 398,787	\$ 373,679	\$ 288,104	\$ 233,954
Contributions in relation to the statutorily required contribution	-380,804	-398,787	-373,679	-288,104	-233,954
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,264,321	\$ 4,465,700	\$ 4,310,023	\$ 3,570,062	\$ 3,366,245
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 239,118	\$ 220,884	\$ 195,914	\$ 172,912	\$ 170,366
-239,118	-220,884	-195,914	-172,912	-170,366
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,595,759	\$ 3,478,488	\$ 3,238,248	\$ 3,007,165	\$ 2,962,887
6.65%	6.35%	6.05%	5.75%	5.75%

## Denver 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.

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.

**Denver Community School District**

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

**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,092	25.7%
2011	July 1, 2009	\$-	\$794	\$794	0.0%	\$2,671	29.7%
2012	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,457	23.0%
2013	July 1, 2012	\$-	\$936	\$936	0.0%	\$4,391	21.3%
2014	July 1, 2012	\$-	\$936	\$936	0.0%	\$4,550	20.6%
2015	July 1, 2012	\$-	\$936	\$936	0.0%	\$4,349	21.5%

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



## Denver Community School District

Combining Balance Sheet  
Non-Major Governmental Funds

June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 306,878	\$ 152,275	\$ 459,153
Receivables:			
Property Tax:			
Delinquent	1,102	-	1,102
Succeeding year	50,001	-	50,001
<b>Total Assets</b>	<b>\$ 357,981</b>	<b>\$ 152,275</b>	<b>\$ 510,256</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ -	\$ 3,684	\$ 3,684
Accounts payable	-	1,604	1,604
Total liabilities	\$ -	\$ 5,288	\$ 5,288
Deferred inflows of resources:			
Unavailable Revenues:			
Succeeding year property tax	\$ 50,001	\$ -	\$ 50,001
Total deferred inflows of resources	\$ 50,001	\$ -	\$ 50,001
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 307,980	\$ -	\$ 307,980
Student activities	-	146,987	146,987
Total fund balances	\$ 307,980	\$ 146,987	\$ 454,967
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 357,981</b>	<b>\$ 152,275</b>	<b>\$ 510,256</b>

See accompanying independent auditor's report.

## Denver Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Governmental Funds**

**Year Ended June 30, 2015**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 200,296	\$ -	\$ 200,296
Other	1,473	272,083	273,556
State sources	951	-	951
Total Revenues	<u>\$ 202,720</u>	<u>\$ 272,083</u>	<u>\$ 474,803</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 80,344	\$ -	\$ 80,344
Other instruction	-	284,331	284,331
Support Services:			
Administration services	46,050	-	46,050
Operation and maintenance of plant services	60,208	-	60,208
Total Expenditures	<u>\$ 186,602</u>	<u>\$ 284,331</u>	<u>\$ 470,933</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 16,118	\$ -12,248	\$ 3,870
Fund balances beginning of year	291,862	159,235	451,097
Fund Balances End of Year	<u>\$ 307,980</u>	<u>\$ 146,987</u>	<u>\$ 454,967</u>

See accompanying independent auditor's report.

## Denver Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,671,683	\$ 430,211	\$ 22,032	\$ 2,123,926
Receivables:				
Property Tax:				
Delinquent	-	1,058	-	1,058
Succeeding year	-	200,624	-	200,624
Due from other governments	102,833	-	690	103,523
<b>Total Assets</b>	<b>\$ 1,774,516</b>	<b>\$ 631,893</b>	<b>\$ 22,722</b>	<b>\$ 2,429,131</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 11,820	\$ -	\$ 11,820
Total Liabilities	\$ -	\$ 11,820	\$ -	\$ 11,820
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ -	\$ 200,624	\$ -	\$ 200,624
Total deferred inflows of resources	\$ -	\$ 200,624	\$ -	\$ 200,624
Fund Balances:				
Restricted for:				
School infrastructure	\$ 1,774,516	\$ -	\$ 22,722	\$ 1,797,238
Physical plant and equipment	-	419,449	-	419,449
Total fund balances	\$ 1,774,516	\$ 419,449	\$ 22,722	\$ 2,216,687
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,774,516</b>	<b>\$ 631,893</b>	<b>\$ 22,722</b>	<b>\$ 2,429,131</b>

## Denver Community School District

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

Year Ended June 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Fund	
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 193,519	\$ -	\$ 193,519
Other	11,277	1,666	3,848	16,791
State sources	661,815	910	-	662,725
Federal sources	-	4,316	-	4,316
Total Revenues	\$ 673,092	\$ 200,411	\$ 3,848	\$ 877,351
Expenditures:				
Support Services:				
Instructional staff services	\$ 33,916	\$ -	\$ -	\$ 33,916
Other Expenditures:				
Facilities acquisition	158,207	38,160	31,818	228,185
Total Expenditures	\$ 192,123	\$ 38,160	\$ 31,818	\$ 262,101
Excess (deficiency) of revenues over (under) expenditures	\$ 480,969	\$ 162,251	\$ -27,970	\$ 615,250
Other Financing Sources (Uses):				
Operating transfers in (out)	-399,125	-	-	-399,125
Charge in fund balance	\$ 81,844	\$ 162,251	\$ -27,970	\$ 216,125
Fund balances beginning of year	1,692,672	257,198	50,692	2,000,562
Fund Balances End of Year	\$ 1,774,516	\$ 419,449	\$ 22,722	\$ 2,216,687

See accompanying independent auditor's report.

## Denver Community School District

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

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Shop resale	\$ 2,860	\$ 557	\$ 2,581	\$ 1,820	\$ 2,656
Resale-High School	2,929	7,091	7,198	-14	2,808
Resale-Art	3,678	8	5,455	1,844	75
Resale-Middle School	6,883	2,431	2,352	-	6,962
Resale-Elementary	-408	1,496	3,450	4,729	2,367
Cyclone Achievement Club	514	2,266	2,416	-	364
Stem	1,067	3,855	3,127	-	1,795
Class of 2019	1,100	-	-	-	1,100
Class of 2020	-	45	-	-	45
Class of 2021	391	45	-	-391	45
Class of 2015	1,954	-	496	391	1,849
Class of 2016	4,540	1,995	5,544	1,040	2,031
Class of 2017	3,670	97	-	842	4,609
Class of 2018	1,800	40	-	820	2,660
Elementary Fundraising	22,233	3,620	13,738	-	12,115
High School book rent clearing	5,366	58,233	16,442	-49,832	-2,675
Elementary music resale	236	-	-	-	236
Elementary School book rent clearing	-	251	7,283	7,032	-
Boys' basketball	7,713	8,748	8,495	-	7,966
Girls' basketball	8,029	8,024	8,374	-	7,679
Football	3,484	39,304	33,056	-8,054	1,678
Baseball	-48	11,774	11,381	871	1,216
Track	428	13,166	10,974	-798	1,822
Softball	759	8,166	6,982	-179	1,764
Wrestling	3,519	4,047	7,435	67	198
Middle School Student Council	417	-	10	-	407
Athletic	818	222	1,418	1,392	1,014
Cheerleaders	2,092	2,461	2,016	87	2,624
Golf	487	2,405	5,036	2,550	406
Volleyball	3,415	8,423	6,655	-	5,183
Soccer	7,163	17,113	15,469	-	8,807
Drama and Speech	2,774	800	1,553	600	2,621
Library	438	-9	66	-	363
FFA-Farming Fund	3,836	-	-	-	3,836
Elementary Book Fair	610	8,584	8,521	-	673
Foods resale	406	746	3,998	2,846	-
Chemistry resale	463	17	3,616	3,490	354
Student Council	8,339	7,075	5,531	-	9,883
Band Trip	3,558	4,832	2,760	-	5,630
Bowling	988	-	20	-	968
Athletic Passes	2,084	1,837	3,605	-316	-
Elementary Student Council	313	-	-	-	313
FB/BB Cheerleaders	3,103	1,872	2,254	-87	2,634
Computer fee	5,068	1,885	12,356	10,500	5,097

## Denver Community School District

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

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Instrumental miscellaneous	\$ -	\$ 1,016	\$ -	\$ -	\$ 1,016
Football Fundraising	-	-	-	8,354	8,354
XC Fundraising	-	-	-	2,208	2,208
Softball Fundraising	-	1,000	-	488	1,488
Soccer Fundraising – girls	-	5,510	4,909	-	601
Soccer Fundraising – boys	-	2,022	600	-	1,422
Baseball Fundraising	-	10,878	6,928	-	3,950
Annual	18,673	3,221	21,234	6,435	7,095
Variety Show	1,635	-	53	-	1,582
Vocal miscellaneous	1,374	9,421	10,248	331	878
Instrumental-resale	2,763	4,599	8,696	1,828	494
FFA	5,721	-	-	-	5,721
Interest on investments	-	894	-	-894	-
<b>Total</b>	<b>\$ 159,235</b>	<b>\$ 272,083</b>	<b>\$ 284,331</b>	<b>\$ -</b>	<b>\$ 146,987</b>

See accompanying independent auditor's report.

**Denver Community School District**

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

**For the Last Ten Years**

	Modified Accrual Basis			
	2015	2014	2013	2012
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 2,882,645	\$ 3,308,655	\$ 3,107,128	\$ 3,153,717
Tuition	470,431	454,907	534,615	517,403
Other	407,429	409,878	402,945	465,259
Intermediate sources	-	-	-	-
State sources	4,761,524	4,114,924	4,221,955	3,948,045
Federal sources	165,636	168,661	143,116	130,467
<b>Total</b>	<b>\$ 8,687,665</b>	<b>\$ 8,457,025</b>	<b>\$ 8,409,759</b>	<b>\$ 8,214,891</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,485,406	\$ 3,513,173	\$ 3,374,798	\$ 3,217,833
Special instruction	721,043	840,199	980,363	810,992
Other instruction	698,027	725,758	716,921	645,999
<b>Support services:</b>				
Student services	139,687	278,189	188,036	205,011
Instructional staff services	297,459	323,042	662,326	301,719
Administrative services	843,754	875,950	943,185	805,674
Operation and maintenance of plant services	623,307	620,161	634,103	662,683
Transportation services	152,300	272,082	192,288	189,395
Central support	-	-	-	-
<b>Other expenditures:</b>				
Facilities acquisition	228,185	702,505	490,503	1,053,024
<b>Long-term debt:</b>				
Principal	394,608	381,984	461,757	290,000
Interest and other charges	154,725	162,538	169,286	164,752
AEA flow-through	296,416	296,008	289,164	286,684
<b>Total</b>	<b>\$ 8,034,917</b>	<b>\$ 8,991,589</b>	<b>\$ 9,102,730</b>	<b>\$ 8,633,766</b>

## Modified Accrual Basis

	2011	2010	2009	2008	2007	2006
\$	3,176,153	\$ 2,973,981	\$ 2,836,746	\$ 2,742,036	\$ 2,638,013	\$ 2,479,070
	352,120	288,515	319,980	302,552	256,412	247,457
	549,421	544,806	547,095	618,348	496,796	391,681
	-	-	-	-	-	-
	3,771,424	3,311,250	3,703,472	3,407,490	3,232,168	3,015,176
	341,894	584,285	102,092	112,564	111,071	104,002
\$	8,191,012	\$ 7,702,837	\$ 7,509,385	\$ 7,182,990	\$ 6,734,460	\$ 6,237,386
\$	2,965,596	\$ 2,996,552	\$ 3,107,861	\$ 2,842,539	\$ 2,650,020	\$ 2,627,832
	789,115	727,725	779,266	544,017	594,378	520,020
	657,533	694,245	577,790	592,176	474,420	462,179
	119,042	159,973	196,920	188,491	153,884	155,666
	456,147	363,170	303,097	417,825	229,246	225,114
	704,527	765,183	757,126	767,571	751,016	671,170
	649,342	537,463	612,537	541,190	619,722	528,619
	186,195	155,917	132,004	159,182	157,240	143,171
	-	-	-	-	-	-
	2,479,433	371,742	133,195	167,991	122,091	489,904
	315,000	1,655,000	175,000	165,000	155,000	150,000
	192,634	93,581	82,537	88,560	93,830	98,480
	312,011	312,042	259,671	234,836	215,089	202,498
\$	9,826,575	\$ 8,832,593	\$ 7,117,004	\$ 6,709,378	\$ 6,215,936	\$ 6,274,653

See accompanying independent auditor's report.

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

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

To the Board of Education of  
Denver Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denver Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 23, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 through I-G-15 to be material weaknesses.

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. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-H-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denver Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of non-compliance or other matters that are required to be reported under Government Auditing Standards. It is described in Part I of the accompanying Schedule of Findings as item I-I-15. I also noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

Denver Community School District's Responses to the Findings

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

Purpose of this Report

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

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



Keith Oltrogge  
Certified Public Accountant

February 23, 2016

Denver Community School District

Schedule of Findings

Year Ended June 30, 2015

Part I – Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion – Response accepted.

I-B-15 Financial Reporting – During the audit, I identified material amounts of disbursements recorded in incorrect funds and identified several disbursements with the wrong object code. Adjustments were made by the District to properly record the disbursements to the proper fund and account before year end.

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

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

Conclusion – Response acknowledged.

I-C-15 School Accounting Software Integration – I noted during my audit that the Special Revenue, Student Activity Fund accounts and Nutrition Fund were not integrated with the general ledger accounting system. The District may maintain subsidiary records for student activities and nutrition fund but all official records of the Student Activity Fund and Nutrition Fund shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

Recommendation – The District should contact Software support and integrate the accounting for individual Student Activity and Nutrition Fund accounts. Since the certified annual report upload requires the entire accounting software to be uploaded together, the District should maintain all accounting records for the District in one accounting system.

Response – The District is considering other software programs.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

I-D-15 Disbursement Approval – For most of the disbursements tested for all funds there was no evidence to document the date the Superintendent approved the expenditures.

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

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

Conclusion – Response acknowledged.

I-E-15 Other Accounts – I noted during my audit, that the District had several bank accounts for former classes, Post Prom and other associations use the District's Federal Identification Number. Because these clubs are using the District's Federal Identification Number, the District should be accounting for the clubs within the District's Student Activity Fund. The Club's accounts and transactions should be included in the District's financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

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

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

Response – The District will contact local banks and research any unfamiliar accounts and make necessary changes.

Conclusion – Response accepted.

I-F-15 Disbursements – Credit card purchases did not have supporting receipts attached prior to a check being released for payment.

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

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

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

I-G-15 Timecards – The District requires hourly employees to submit timecards. However, all timecards tested were not approved by the employee’s supervisor.

Recommendation – The District should develop a policy to require timecards to be approved by the employee’s supervisor prior to submission.

Response – Timecards are now being approved by the supervisor.

Conclusion – Response acknowledged.

I-H-15 Annual Financial Statements – The ability to apply U. S. generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

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

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

Conclusions – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

I-I-15 Nutrition Fund Excess Cash – The school food service account is required to operate as a non-profit entity and current regulations require it not exceed a three-month operating balance in its bank account. I noted the District has cash in excess of the maximum allowed.

Recommendation – The District should use the excess funds to update kitchen equipment or add additional kitchen staff.

Response – We will review our needs and add or update accordingly.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 exceed the certified budget amounts in the non-instruction and other expenditures functions.

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

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

Conclusion – Response accepted.

II-B-15 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General:		
Sakura Japanese Steakhouse	Meal	\$113
Solberg’s	Year of service awards	\$630
Ichiban Japanese Steakhouse	Meal	\$317
Activity:		
Pizza Hut	Meal	\$93
Olive Garden	Meal	\$150
Dominos Pizza	Meal	\$100

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

Response – Beginning in fiscal 2016, the District will not make any purchases for teacher appreciation supplies or other items that are not appropriate, and will have supporting documentation for all purchases.

Conclusion – Response acknowledged.

II-C-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.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Schumacher Elevator, Board Member – Owner	Maintenance	\$651
Denver Underground, Employee Spouse – Owner	Building improvements Snow removal Grounds maintenance	\$8,893

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Denver Underground may represent a conflict of interest since the total purchases exceeded \$1,500 for the year and was not entered through competitive bidding in accordance with Chapter 362.5(4).

Recommendation – The District should use a competitive bidding process for amounts over \$1,500.

Response – We will use competitive bidding in the future.

Conclusion – Response accepted.

II-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 the coverage is adequate for current operations.

II-F-15 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

Board Approval – I noted several transactions requiring Board approval which were not approved by the Board.

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

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

Conclusion – Response accepted.

II-G-15 Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2015

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

II-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-15 Certified Annual Report – The Certified Annual Report was not properly certified to the Iowa Department of Education by September 15, 2015.

Recommendation – In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response – We had computer program problems and are changing software, so we will certify the Certified Annual Report timely in the future.

Conclusion – Response accepted.

II-K-15 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Book Rent Accounts and Resale Accounts.

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

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

Conclusion – Response accepted.

II-L-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather the supplement other funds.

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

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

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

Conclusion – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2015**

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

II-M-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable use of the statewide sales and services tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,692,672
Revenues/transfers in:		
Sales tax revenues	\$ 661,815	
Other local revenues	11,277	673,092
		<hr/> 2,365,764
Expenditures/transfer out:		
School infrastructure	\$ 158,207	
Equipment	33,916	
Transfers to other funds:		
Debt service fund	399,125	591,248
		<hr/> 591,248
Ending balance		<u>\$ 1,774,516</u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423 E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.5421	\$ 66,185
Physical plant and equipment levy (PPEL)	2.6783	130,267
Public educational and recreational levy (PERL)	-	-
Total		<hr/> <u>\$ 196,452</u>

II-N-15 Deficit Balances – One student activity account had a deficit balance at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

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

Conclusion – Response accepted.