

DENISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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**Denison Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2015 Election)**

Rod Bradley	President	2017
Kris Rowedder	Vice President	2015
Les Lewis	Board Member	2015
Larry Anderson	Board Member	2017
Joe Lally	Board Member	2017

**(After September 2015 Election)**

Rod Bradley	President	2017
Kris Rowedder	Vice President	2019
Derek Lambert	Board Member	2019
Larry Anderson	Board Member	2017
Joe Lally	Board Member	2017

**School Officials**

Mike Pardun	Superintendent	2016
Scott Larson	Business Manager	2016
Lori L. Ahart	Board Secretary	2016
Franck and Sextro, P.L.C.	Attorney	2016

# **Denison Community School District**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District, Denison, Iowa, as of and for the year ended June 30, 2016, 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**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 18 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2017, on our consideration of Denison Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denison Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 9, 2017  
Newton, Iowa

# **Denison Community School District**

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

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The Denison Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$22,701,325 in fiscal 2015 to \$22,181,106 in fiscal 2016, while General Fund expenditures increased from \$22,505,031 in fiscal 2015 to \$22,553,887 in fiscal 2016. This resulted in a decrease in the District's General Fund balance from \$3,588,500 at June 30, 2015 to a balance of \$3,215,719 at June 30, 2016, a 10.39% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and state sources in fiscal 2016. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.
- The District's solvency ratio decreased as compared to fiscal 2015. At June 30, 2015, the District's solvency ratio was 14.25% as compared to 13.07% at June 30, 2016.

### **USING THIS ANNUAL REPORT**

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

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

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

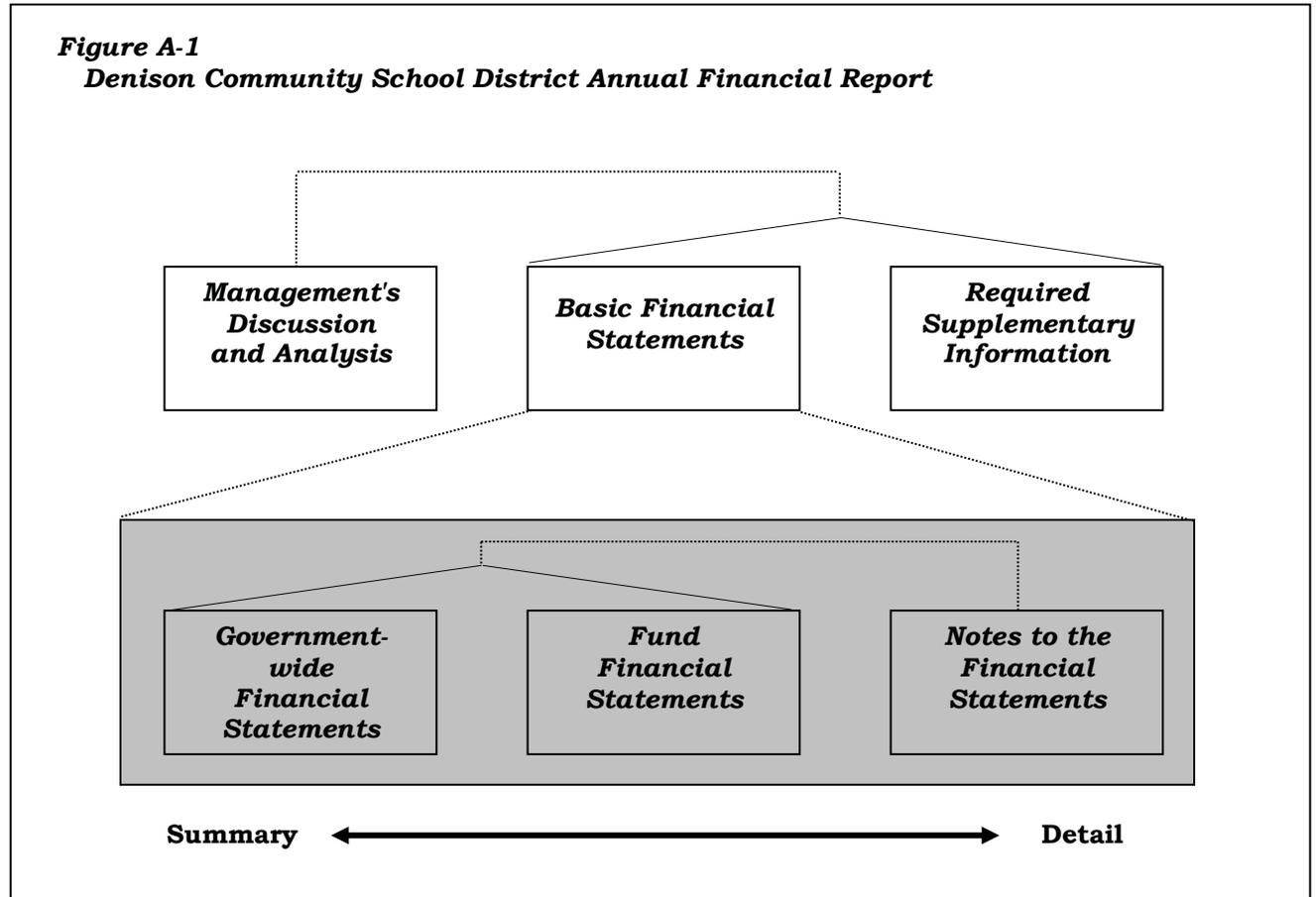
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denison Community School District's operations in more detail than the government-wide statements by providing information about the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

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

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

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

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



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

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

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

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

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

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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 position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 15,373,849	18,938,784	622,163	563,642	15,996,012	19,502,426	-17.98%
Capital assets	21,169,565	19,947,945	315,553	427,989	21,485,118	20,375,934	5.44%
Total assets	36,543,414	38,886,729	937,716	991,631	37,481,130	39,878,360	-6.01%
Deferred outflows of resources	1,985,355	1,740,972	62,166	58,398	2,047,521	1,799,370	13.79%
Long-term liabilities	17,769,182	18,991,549	345,696	274,404	18,114,878	19,265,953	-5.97%
Other liabilities	2,884,230	2,549,878	9,402	15,653	2,893,632	2,565,531	12.79%
Total liabilities	20,653,412	21,541,427	355,098	290,057	21,008,510	21,831,484	-3.77%
Deferred inflows of resources	6,324,435	8,584,854	29,124	104,182	6,353,559	8,689,036	-26.88%
Net position:							
Net investment in capital assets	13,994,565	12,380,988	315,553	427,989	14,310,118	12,808,977	11.72%
Restricted	3,549,483	4,116,355	-	-	3,549,483	4,116,355	-13.77%
Unrestricted	(5,993,126)	(5,995,923)	300,107	227,801	(5,693,019)	(5,768,122)	1.30%
Total net position	\$ 11,550,922	10,501,420	615,660	655,790	12,166,582	11,157,210	9.05%

The District's total net position increased by 9.05%, or \$1,009,372, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased 13.77%, or \$566,872, from the prior year. This decrease in restricted net position is mainly attributable to the decrease in the Capital Projects: Statewide Sales, Services and Use Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$75,103, or 1.30%.

**Figure A-4** shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4  
Changes in Net Position

	Governmental Activities		Business type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Program revenues:							
Charges for service	\$ 1,586,731	1,818,416	327,574	367,694	1,914,305	2,186,110	-12.43%
Operating grants, contributions and restricted interest	2,483,619	2,777,448	1,115,604	1,145,801	3,599,223	3,923,249	-8.26%
General revenues:							
Property tax	5,453,854	5,170,123	-	-	5,453,854	5,170,123	5.49%
Income surtax	617,833	663,009	-	-	617,833	663,009	-6.81%
Statewide sales, services and use tax	1,974,514	1,993,840	-	-	1,974,514	1,993,840	-0.97%
Unrestricted state grants	13,426,538	13,631,163	-	-	13,426,538	13,631,163	-1.50%
Unrestricted investment earnings	27,705	24,427	753	742	28,458	25,169	13.07%
Other	102,831	132,221	5,386	3,645	108,217	135,866	-20.35%
Total revenues	25,673,625	26,210,647	1,449,317	1,517,882	27,122,942	27,728,529	-2.18%
Program expenses:							
Instruction	15,593,361	15,379,139	-	-	15,593,361	15,379,139	1.39%
Support services	7,178,358	7,231,586	-	-	7,178,358	7,231,586	-0.74%
Non-instructional programs	12,010	7,828	1,489,447	1,514,537	1,501,457	1,522,365	-1.37%
Other expenses	1,840,394	1,887,323	-	-	1,840,394	1,887,323	-2.49%
Total expenses	24,624,123	24,505,876	1,489,447	1,514,537	26,113,570	26,020,413	0.36%
Changes in net position	1,049,502	1,704,771	(40,130)	3,345	1,009,372	1,708,116	-40.91%
Net position beginning of year	10,501,420	8,796,649	655,790	652,445	11,157,210	9,449,094	18.08%
Net position end of year	\$ 11,550,922	10,501,420	615,660	655,790	12,166,582	11,157,210	9.05%

In fiscal year 2016, property tax, income surtax and unrestricted state grants account for 75.95% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.58% of business type activities revenue.

The District's total revenues were approximately \$27.12 million of which approximately \$25.67 million was for governmental activities and approximately \$1.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.18% decrease in revenues and a 0.36% increase in expenses. Property tax increased \$283,731 to fund increases in expenditures. The increase in expenses related to increases in negotiated salary and benefits.

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## Governmental Activities

Revenues for governmental activities were \$25,673,625 and expenses were \$24,624,123 for the year ended June 30, 2016.

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, 2016 compared to those expenses for the year ended June 30, 2015.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 15,593,361	15,379,139	1.39%	12,461,236	11,775,832	5.82%
Support services	7,178,358	7,231,586	-0.74%	7,135,965	7,133,739	0.03%
Non-instructional programs	12,010	7,828	53.42%	12,010	7,828	53.42%
Other expenses	1,840,394	1,887,323	-2.49%	944,562	992,613	-4.84%
Totals	\$ 24,624,123	24,505,876	0.48%	20,553,773	19,910,012	3.23%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,586,731.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,483,619.
- The net cost of governmental activities was financed with \$5,453,854 in property tax, \$617,833 in income surtax, \$1,974,514 in statewide sales, services and use tax, \$13,426,538 in unrestricted state grants, \$27,705 in interest income and \$102,831 in other general revenues.

## Business type Activities

Revenues of the District's business type activity were \$1,449,317 and expenses were \$1,489,447. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income, federal and state reimbursements and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,459,152, below last year's ending fund balances of \$10,400,788. The primary reason for the decrease in combined fund balances is because of the decrease in fund balance of the Debt Service Fund due to calling the remaining balance on the May 1, 2006 general obligation bonds.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The increase in salaries and benefits is one of the reasons for the increase in expenditures. Revenues in the General Fund decreased by \$520,219 and expenses increased by \$48,856. The General Fund balance decreased by \$372,781 to a balance of \$3,215,719.

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- The Capital Projects Fund balance decreased from \$2,130,058 at June 30, 2015 to \$1,554,299 at June 30, 2016. Revenues in the Capital Projects Fund decreased by \$7,145 and expenses increased by \$1,123,232.
  - The Debt Service Fund balance decreased from \$4,169,088 at June 30, 2015 to a balance of \$1,126,967 at June 30, 2016. This District issued crossover refunding bonds during the fiscal year 2013. The District paid called \$3,015,000 of outstanding principal on the May 1, 2006 general obligation bonds during the year which was the primary factor in the decrease in fund balance.

### **Proprietary Fund Highlights**

The School Nutrition Fund's net position decreased from \$655,790 at June 30, 2015 to \$615,660 at June 30, 2016, representing a decrease of 6.12%. This decrease in net position was contributed to by a decrease in charges for service revenue and federal revenue as compared to the prior year.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$25,950 more than budgeted revenues, a variance of 0.10%. The most significant variance resulted from the District receiving more in state sources than what was originally anticipated.

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2016, the District had invested \$21,485,118, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.44% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$962,611.

The original cost of the District's capital assets was \$33,054,995. Governmental activities account for \$32,306,492 with the remainder of \$748,503 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,584,575 at June 30, 2016 as compared to \$0 at June 30, 2015. The increase was primarily the result of the start of construction on the District's high school track and football field project.

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,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 191,680	191,680	-	-	191,680	191,680	0.00%
Construction in progress	1,584,575	-	-	-	1,584,575	-	100.00%
Buildings	17,379,915	17,668,744	-	-	17,379,915	17,668,744	-1.63%
Land improvements	1,160,689	1,228,094	-	-	1,160,689	1,228,094	-5.49%
Machinery and equipment	852,706	859,427	315,553	427,989	1,168,259	1,287,416	-9.26%
Total	\$ 21,169,565	19,947,945	315,553	427,989	21,485,118	20,375,934	5.44%

### Long-Term Debt

At June 30, 2016, the District had \$18,114,878 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$3,160,000 at June 30, 2016.

The District also had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales, Services, and Use Tax Fund of \$4,015,000 at June 30, 2016.

The District has a Net Pension Liability of \$10,563,285 as of June 30, 2016. Governmental activities account for \$10,219,359, while business type activities account for \$343,926.

The District has a Net OPEB liability of \$376,593 as of June 30, 2016. Governmental activities account for \$374,823 while business type activities account for \$1,770.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
General obligation bonds	\$ 3,160,000	6,415,000	-	-	3,160,000	6,415,000	-50.74%
Revenue bonds	4,015,000	4,210,000	-	-	4,015,000	4,210,000	-4.63%
Net Pension liability	10,219,359	8,106,465	343,926	273,176	10,563,285	8,379,641	100.00%
Net OPEB liability	374,823	260,084	1,770	1,228	376,593	261,312	44.12%
Total	\$ 17,769,182	18,991,549	345,696	274,404	18,114,878	19,265,953	-5.97%

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

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

- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in cost savings to the General Fund.

- 
- The future economic predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.
  - The federally mandated Affordable Care Act will continue to add health care expenditures to the District. The District's cost for health benefits is a concern for future costs to the District and has resulted in a continued search for solutions to this issue.
  - The District's certified enrollment in October of 2016, showed an increase of +59.44 students. The district sees this significant increase as a deviation from a stable enrollment trend. Increasing or at least maintaining enrollment in upcoming years will be necessary to help maintain the District's financial health.
  - The Iowa Legislature has yet to set the State Supplemental Aid for fy18 or fy19. We are optimistic about the District's financial outlook because of prudent actions taken over the past five to six years. The District has positioned itself extremely well to withstand financial uncertainties at both the state and federal level.

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

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

BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,079,577	609,875	8,689,452
Receivables:			
Property tax:			
Delinquent	58,178	-	58,178
Succeeding year	5,474,417	-	5,474,417
Income surtax	644,091	-	644,091
Accounts	10,959	368	11,327
Due from other governments	1,066,340	-	1,066,340
Inventories	40,287	11,920	52,207
Capital assets, net of accumulated depreciation	21,169,565	315,553	21,485,118
<b>TOTAL ASSETS</b>	<b>36,543,414</b>	<b>937,716</b>	<b>37,481,130</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,985,355	62,166	2,047,521
<b>LIABILITIES</b>			
Accounts payable	709,766	-	709,766
Salaries and benefits payable	2,086,423	-	2,086,423
Accrued interest payable	88,041	-	88,041
Unearned revenue	-	9,402	9,402
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	290,000	-	290,000
Revenue bonds payable	200,000	-	200,000
Portion due after one year:			
General obligation bonds payable	2,870,000	-	2,870,000
Revenue bonds payable	3,815,000	-	3,815,000
Net pension liability	10,219,359	343,926	10,563,285
Net OPEB liability	374,823	1,770	376,593
<b>TOTAL LIABILITIES</b>	<b>20,653,412</b>	<b>355,098</b>	<b>21,008,510</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	850,018	29,124	879,142
Unavailable property tax revenue	5,474,417	-	5,474,417
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,324,435</b>	<b>29,124</b>	<b>6,353,559</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,994,565	315,553	14,310,118
Restricted for:			
Categorical funding	392,391	-	392,391
Management levy purposes	428,900	-	428,900
Student activities	134,967	-	134,967
School infrastructure	1,334,954	-	1,334,954
Physical plant and equipment	219,345	-	219,345
Debt service	1,038,926	-	1,038,926
Unrestricted	(5,993,126)	300,107	(5,693,019)
<b>TOTAL NET POSITION</b>	<b>\$ 11,550,922</b>	<b>615,660</b>	<b>12,166,582</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 8,943,859	797,636	122,156	(8,024,067)	-	(8,024,067)
Special	2,530,137	258,603	151,778	(2,119,756)	-	(2,119,756)
Other	4,119,365	530,492	1,271,460	(2,317,413)	-	(2,317,413)
	<u>15,593,361</u>	<u>1,586,731</u>	<u>1,545,394</u>	<u>(12,461,236)</u>	<u>-</u>	<u>(12,461,236)</u>
Support services:						
Student	740,630	-	5,777	(734,853)	-	(734,853)
Instructional staff	1,253,622	-	10,403	(1,243,219)	-	(1,243,219)
Administration	1,969,421	-	-	(1,969,421)	-	(1,969,421)
Operation and maintenance of plant	2,117,664	-	-	(2,117,664)	-	(2,117,664)
Transportation	1,097,021	-	26,213	(1,070,808)	-	(1,070,808)
	<u>7,178,358</u>	<u>-</u>	<u>42,393</u>	<u>(7,135,965)</u>	<u>-</u>	<u>(7,135,965)</u>
Non-instructional programs:						
Community service operations	12,010	-	-	(12,010)	-	(12,010)
	<u>326,524</u>	<u>-</u>	<u>-</u>	<u>(326,524)</u>	<u>-</u>	<u>(326,524)</u>
Other expenses:						
AEA flowthrough	895,832	-	895,832	-	-	-
Depreciation (unallocated)*	618,038	-	-	(618,038)	-	(618,038)
	<u>1,513,870</u>	<u>-</u>	<u>895,832</u>	<u>(618,038)</u>	<u>-</u>	<u>(618,038)</u>
Total governmental activities	<u>24,624,123</u>	<u>1,586,731</u>	<u>2,483,619</u>	<u>(20,553,773)</u>	<u>-</u>	<u>(20,553,773)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	1,489,447	327,574	1,115,604	-	(46,269)	(46,269)
Total	<u>\$ 26,113,570</u>	<u>1,914,305</u>	<u>3,599,223</u>	<u>(20,553,773)</u>	<u>(46,269)</u>	<u>(20,600,042)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 4,942,882	-	4,942,882
Debt service				375,001	-	375,001
Capital outlay				135,971	-	135,971
Income surtax				617,833	-	617,833
Statewide sales, services and use tax				1,974,514	-	1,974,514
Unrestricted state grants				13,426,538	-	13,426,538
Unrestricted investment earnings				27,705	753	28,458
Other				102,831	5,386	108,217
Total general revenues				<u>21,603,275</u>	<u>6,139</u>	<u>21,609,414</u>
Changes in net position				1,049,502	(40,130)	1,009,372
Net position beginning of year				<u>10,501,420</u>	<u>655,790</u>	<u>11,157,210</u>
Net position end of year				<u>\$ 11,550,922</u>	<u>615,660</u>	<u>12,166,582</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 4,630,446	1,781,540	1,123,037	544,554	8,079,577
Receivables:					
Property tax:					
Delinquent	49,031	1,378	3,930	3,839	58,178
Succeeding year	4,635,139	133,857	345,419	360,002	5,474,417
Income surtax	644,091	-	-	-	644,091
Accounts	4,347	-	-	6,612	10,959
Due from other governments	743,090	313,975	-	9,275	1,066,340
Inventories	40,287	-	-	-	40,287
<b>TOTAL ASSETS</b>	<b>\$ 10,746,431</b>	<b>2,230,750</b>	<b>1,472,386</b>	<b>924,282</b>	<b>15,373,849</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 165,059	542,594	-	2,113	709,766
Salaries and benefits payable	2,086,423	-	-	-	2,086,423
Total liabilities	2,251,482	542,594	-	2,113	2,796,189
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	4,635,139	133,857	345,419	360,002	5,474,417
Income surtax	644,091	-	-	-	644,091
Total deferred inflows of resources	5,279,230	133,857	345,419	360,002	6,118,508
Fund balances:					
Nonspendable	40,287	-	-	-	40,287
Restricted for:					
Categorical funding	392,391	-	-	-	392,391
Management levy purposes	-	-	-	428,900	428,900
Student activities	-	-	-	134,967	134,967
School infrastructure	-	1,334,954	-	-	1,334,954
Physical plant and equipment	-	219,345	-	-	219,345
Debt service	-	-	1,126,967	-	1,126,967
Unassigned:					
General	2,783,041	-	-	-	2,783,041
Student activities	-	-	-	(1,700)	(1,700)
Total fund balances	3,215,719	1,554,299	1,126,967	562,167	6,459,152
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,746,431</b>	<b>2,230,750</b>	<b>1,472,386</b>	<b>924,282</b>	<b>15,373,849</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2016

<b>Total fund balances of governmental funds (page 22)</b>		\$ 6,459,152
<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.		21,169,565
Income surtax is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		644,091
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(88,041)
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	\$ 1,985,355	
Deferred inflows of resources	<u>(850,018)</u>	1,135,337
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other postemployment benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(17,769,182)</u>
<b>Net position of governmental activities (page 20)</b>		<u><u>\$ 11,550,922</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 5,160,674	135,971	375,001	364,068	6,035,714
Tuition	1,025,588	-	-	-	1,025,588
Other	107,949	7,859	13,542	562,397	691,747
Intermediate sources	16,421	-	-	-	16,421
State sources	14,630,491	1,979,197	13,362	13,678	16,636,728
Federal sources	1,231,454	-	-	-	1,231,454
Total revenues	<u>22,172,577</u>	<u>2,123,027</u>	<u>401,905</u>	<u>940,143</u>	<u>25,637,652</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	9,009,481	104,873	-	92,657	9,207,011
Special	2,595,083	-	-	-	2,595,083
Other	3,544,155	-	-	537,301	4,081,456
	<u>15,148,719</u>	<u>104,873</u>	<u>-</u>	<u>629,958</u>	<u>15,883,550</u>
Support services:					
Student	726,435	-	-	-	726,435
Instructional staff	1,198,725	58,523	-	4,250	1,261,498
Administration	1,877,652	3,076	-	29,485	1,910,213
Operation and maintenance of plant	1,788,327	118,007	-	210,397	2,116,731
Transportation	906,187	206,526	-	17,028	1,129,741
	<u>6,497,326</u>	<u>386,132</u>	<u>-</u>	<u>261,160</u>	<u>7,144,618</u>
Non-instructional programs:					
Community service operations	12,010	-	-	-	12,010
Capital outlay	-	1,850,042	-	-	1,850,042
Long-term debt:					
Principal	-	-	3,450,000	-	3,450,000
Interest and fiscal charges	-	-	351,765	-	351,765
	<u>-</u>	<u>-</u>	<u>3,801,765</u>	<u>-</u>	<u>3,801,765</u>
Other expenditures:					
AEA flowthrough	895,832	-	-	-	895,832
Total expenditures	<u>22,553,887</u>	<u>2,341,047</u>	<u>3,801,765</u>	<u>891,118</u>	<u>29,587,817</u>
Excess (Deficiency) of revenues over (under) expenditures	(381,310)	(218,020)	(3,399,860)	49,025	(3,950,165)
Other financing sources (uses):					
Transfer in	-	-	357,739	-	357,739
Transfer out	-	(357,739)	-	-	(357,739)
Sale of equipment	8,529	-	-	-	8,529
Total other financing sources (uses)	<u>8,529</u>	<u>(357,739)</u>	<u>357,739</u>	<u>-</u>	<u>8,529</u>
Change in fund balance	(372,781)	(575,759)	(3,042,121)	49,025	(3,941,636)
Fund balance beginning of year	<u>3,588,500</u>	<u>2,130,058</u>	<u>4,169,088</u>	<u>513,142</u>	<u>10,400,788</u>
Fund balance end of year	<u>\$ 3,215,719</u>	<u>1,554,299</u>	<u>1,126,967</u>	<u>562,167</u>	<u>6,459,152</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2016

**Change in fund balances - total governmental funds (page 24)** \$ (3,941,636)

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

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

Expenditures for capital assets	\$ 2,128,364	
Depreciation expense	<u>(906,744)</u>	1,221,620

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. 3,450,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 25,241

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 35,973

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 1,296,097

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.

Pension expense	(923,054)	
Other postemployment benefits	<u>(114,739)</u>	<u>(1,037,793)</u>

**Change in net position of governmental activities (page 21)** \$ 1,049,502

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 609,875
Accounts receivable	368
Inventories	11,920
Total current assets	622,163
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	315,553
<b>TOTAL ASSETS</b>	<b>937,716</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	62,166
<b>LIABILITIES</b>	
Current liabilities:	
Unearned revenue	9,402
Long-term liabilities:	
Net pension liability	343,926
Net OPEB liability	1,770
Total long-term liabilities	345,696
<b>TOTAL LIABILITIES</b>	<b>355,098</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	29,124
<b>NET POSITION</b>	
Net investment in capital assets	315,553
Unrestricted	300,107
<b>TOTAL NET POSITION</b>	<b>\$ 615,660</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 327,574
Miscellaneous	5,386
TOTAL OPERATING REVENUES	332,960
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	461,960
Benefits	74,645
Services	46,927
Supplies	768,739
Other	914
Depreciation	55,867
TOTAL OPERATING EXPENSES	1,409,052
OPERATING LOSS	(1,076,092)
NON-OPERATING REVENUES (EXPENSES):	
Interest	753
State sources	11,727
Federal sources	1,103,877
Loss on asset disposal	(80,395)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,035,962
Change in net position	(40,130)
Net position beginning of year	655,790
Net position end of year	\$ 615,660

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 334,653
Cash received from miscellaneous	5,386
Cash payments to employees for services	(548,377)
Cash payments to suppliers for goods or services	(741,480)
Net cash used in operating activities	(949,818)
Cash flows from non-capital financing activities:	
Repayments to General Fund	(454)
State grants received	11,727
Federal grants received	1,052,550
Net cash provided by non-capital financing activities	1,063,823
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(23,826)
Cash flows from investing activities:	
Interest on investments	753
Net increase in cash and cash equivalents	90,932
Cash and cash equivalents at beginning of year	518,943
Cash and cash equivalents at end of year	\$ 609,875
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (1,076,092)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	74,517
Depreciation	55,867
Decrease in inventories	583
Decrease in accounts receivable	8,638
Decrease in salaries and benefits payable	(4,238)
Decrease in unearned revenue	(1,559)
Increase in net pension liability	70,750
Increase in deferred outflows of resources	(3,768)
Decrease in deferred inflows of resources	(75,058)
Increase in other postemployment benefits	542
Net cash used in operating activities	\$ (949,818)

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

During the year ended June 30, 2016, the District received Federal commodities valued at \$74,517.

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 102,595
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Held in trust for scholarships	<u>\$ 102,595</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
ADDITIONS:		
Local sources:		
Interest	\$	787
Contributions		3,750
TOTAL ADDITIONS		<u>4,537</u>
DEDUCTIONS:		
Instruction:		
Other:		
Scholarships awarded		<u>5,450</u>
Change in net position		(913)
Net position beginning of year		<u>103,508</u>
Net position end of year	\$	<u><u>102,595</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

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

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

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

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

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future year(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 receivables and other receivables not collected within sixty days after year end.

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

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

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

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

Nonspendable - Amounts which cannot be spent because they have already been spent and are not expected to be converted to cash. This includes inventory in the General Fund.

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

Unassigned - All amounts not included in the preceding classifications.

#### **E. Budgets and Budgetary Accounting**

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

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2016 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$266 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Interfund Transfers**

Interfund transfers for the year ended June 30, 2016 are as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 357,739</u>

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

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
General Obligation Bonds	\$ 6,415,000	-	3,255,000	3,160,000	290,000
Revenue Bonds	4,210,000	-	195,000	4,015,000	200,000
Net pension liability	8,106,465	2,112,894	-	10,219,359	-
Net OPEB liability	260,084	114,739	-	374,823	-
Total	<u>\$ 18,991,549</u>	<u>2,227,633</u>	<u>3,450,000</u>	<u>17,769,182</u>	<u>490,000</u>
<b><u>Business type activities:</u></b>					
Net pension liability	\$ 273,176	70,750	-	343,926	-
Net OPEB liability	1,228	542	-	1,770	-
Total	<u>\$ 274,404</u>	<u>71,292</u>	<u>-</u>	<u>345,696</u>	<u>-</u>

**General Obligation Bonds Payable**

Details of the District's June 30, 2016 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Issue of March 13, 2013			
	Interest Rates	Principal	Interest	Total
2017	2.00 %	\$ 290,000	54,919	344,919
2018	2.00	300,000	49,119	349,119
2019	2.00	305,000	43,119	348,119
2020	1.25	300,000	37,019	337,019
2021	1.38	315,000	33,269	348,269
2022-2026	1.50-2.00	1,650,000	91,811	1,741,811
Total		<u>\$ 3,160,000</u>	<u>309,256</u>	<u>3,469,256</u>

**Revenue Bonds Payable**

Details of the District’s June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2010				
	Interest Rates		Principal	Interest	Total
2017	3.00	% \$	200,000	154,775	354,775
2018	3.00		210,000	148,625	358,625
2019	3.20		215,000	142,035	357,035
2020	3.40		225,000	134,770	359,770
2021	3.60		235,000	126,715	361,715
2022-2026	3.80-4.15		1,345,000	484,909	1,829,909
2027-2030	4.20-4.50		1,585,000	165,053	1,750,053
Total			\$ 4,015,000	1,356,882	5,371,882

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,585,000 bonds issued July 1, 2010. The bonds were issued for the purpose of defeasement of \$2,235,000 in principal of the May 1, 2006 bond issue as well as defray costs of renovations of the Broadway Elementary building and construction of a new bus barn. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 18 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,371,882. For the current year \$195,000 in principal and \$160,700 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,974,514.

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

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance			Balance End of Year
	Beginning of Year	Increases	Decreases	
<b><u>Business type activities:</u></b>				
Machinery and equipment	\$ 813,220	23,826	88,543	748,503
Less accumulated depreciation	385,231	55,867	8,148	432,950
Business type activities capital assets, net	\$ 427,989	(32,041)	80,395	315,553

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 191,680	-	-	191,680
Construction in progress	-	1,584,575	-	1,584,575
Total capital assets not being depreciated	191,680	1,584,575	-	1,776,255
Capital assets being depreciated:				
Buildings	25,114,682	219,220	-	25,333,902
Land improvements	1,980,643	20,349	-	2,000,992
Machinery and equipment	3,017,279	304,220	126,156	3,195,343
Total capital assets being depreciated	30,112,604	543,789	126,156	30,530,237
Less accumulated depreciation for:				
Buildings	7,445,938	508,049	-	7,953,987
Land improvements	752,549	87,754	-	840,303
Machinery and equipment	2,157,852	310,941	126,156	2,342,637
Total accumulated depreciation	10,356,339	906,744	126,156	11,136,927
Total capital assets being depreciated, net	19,756,265	(362,955)	-	19,393,310
Governmental activities capital assets, net	\$ 19,947,945	1,221,620	-	21,169,565

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 24,825
Other	14,877
Support services:	
Instructional staff	4,175
Administration	1,880
Operation and maintenance of plant	73,426
Transportation	169,523
	288,706
Unallocated depreciation	618,038
Total governmental activities depreciation expense	\$ 906,744
Business type activities:	
Food service operations	\$ 55,867

## (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 information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the

member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% 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% 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 - 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$1,335,081.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$10,563,285 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.213811 percent, which was an increase of 0.002519 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$953,962. At June 30, 2016, 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	\$ 159,598	\$ -
Changes of assumptions	290,834	-
Net difference between projected and actual earnings on IPERS' investments	-	879,142
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	262,008	-
District contributions subsequent to the measurement date	1,335,081	-
<b>Total</b>	<b>\$ 2,047,521</b>	<b>\$ 879,142</b>

\$1,335,081 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, 2017. 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,	
2017	\$ (230,458)
2018	(230,458)
2019	(230,458)
2020	504,735
2021	19,937
<b>Total</b>	<b>\$ (166,702)</b>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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, IPERS' 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 IPERS' 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%, 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% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 18,494,411	\$ 10,563,285	\$ 3,868,845

IPERS' Fiduciary Net Position - Detailed information about the IPERS' 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 IPERS - At June 30, 2016, the District reported payables to the defined benefit pension plan of \$142,192 for legally required employer contributions and \$94,742 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 plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 198 active and 21 retired members in the plan. Retired employees must be age 55 or older at retirement and have ten or more years of service to the District.

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

There is no subsidy or OPEB liability associated with the dental benefit. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 229,501
Interest on net OPEB obligation	11,759
Adjustment to annual required contribution	<u>(10,428)</u>
Annual OPEB cost (expense)	230,832
Contributions made	<u>(115,552)</u>
Increase in net OPEB obligation	115,280
Net OPEB obligation - beginning of year	<u>261,313</u>
Net OPEB obligation - end of year	<u><u>\$ 376,593</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2016.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 207,563	89.9%	\$ 188,851
2015	220,712	67.2%	261,313
2016	230,832	50.1%	376,593

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$2.281 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.281 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.625 million, and the ratio of the UAAL to the covered payroll was 18.1%. As of June 30, 2016, there were no trust fund assets.

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

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

As of July 1, 2014, actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

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

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

**(8) Deficit Balances**

At June 30, 2016, the Student Activity Fund had one account with a deficit unassigned fund balance of \$1,700.

**(9) Risk Management**

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

**(10) 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 \$895,832 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Weighted limited english proficient	\$ 16,393
Gifted and talented	159,852
Teacher salary supplement	26,102
Successful progression for early readers	70,515
Four-year-old preschool state aid	47,010
English language literacy grants	70,951
Textbook aid for nonpublic students	1,568
Total	<u>\$ 392,391</u>

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

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	1,126,967	2,783,041
Capital assets, net of accumulated depreciation	21,169,565	-	-
General obligation bond capitalized indebtedness	(3,160,000)	-	-
Revenue bond capitalized indebtedness	(4,015,000)	-	-
Accrued interest payable	-	(88,041)	-
Nonspendable balance	-	-	40,287
Unassigned student activity fund balance	-	-	(1,700)
Income surtax	-	-	644,091
Net pension liability	-	-	(10,219,359)
Pension related deferred outflows of resources	-	-	1,985,355
Pension related deferred inflows of resources	-	-	(850,018)
Net OPEB liability	-	-	(374,823)
Net position (Exhibit A)	\$ 13,994,565	1,038,926	(5,993,126)

**(13) Construction Commitments**

At June 30, 2016, the District has entered into contracts for the construction of a track and field project. \$1,584,575 has been incurred against the contracts. The balance will be paid out as work on the project progresses. Once the project is complete, the total cost of the project will be added to the District's capital asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,753,049	333,713	8,086,762	8,367,873	8,367,873	(281,111)
Intermediate sources	16,421	-	16,421	20,000	20,000	(3,579)
State sources	16,636,728	11,727	16,648,455	16,543,146	16,543,146	105,309
Federal sources	1,231,454	1,103,877	2,335,331	2,130,000	2,130,000	205,331
Total revenues	25,637,652	1,449,317	27,086,969	27,061,019	27,061,019	25,950
Expenditures/Expenses:						
Instruction	15,883,550	-	15,883,550	16,370,000	16,370,000	486,450
Support services	7,144,618	-	7,144,618	7,920,000	7,920,000	775,382
Non-instructional programs	12,010	1,489,447	1,501,457	1,800,000	1,800,000	298,543
Other expenditures	6,547,639	-	6,547,639	7,489,701	7,489,701	942,062
Total expenditures/expenses	29,587,817	1,489,447	31,077,264	33,579,701	33,579,701	2,502,437
Excess (Deficiency) of revenues over (under) expenditures/expenses	(3,950,165)	(40,130)	(3,990,295)	(6,518,682)	(6,518,682)	2,528,387
Other financing sources, net	8,529	-	8,529	5,000	5,000	3,529
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	(3,941,636)	(40,130)	(3,981,766)	(6,513,682)	(6,513,682)	2,531,916
Balance beginning of year	10,400,788	655,790	11,056,578	11,396,690	11,396,690	(340,112)
Balance end of year	\$ 6,459,152	615,660	7,074,812	4,883,008	4,883,008	2,191,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2016

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	\$ -	\$ 1,810	\$ 1,810	0.00 %	\$ 9,691	18.7 %
2010	July 1, 2008	-	1,810	1,810	0.00	9,330	19.4
2011	July 1, 2010	-	1,717	1,717	0.00	8,837	18.4
2012	July 1, 2010	-	1,717	1,717	0.00	10,092	17.0
2013	July 1, 2012	-	2,184	2,184	0.00	10,596	20.6
2014	July 1, 2012	-	2,184	2,184	0.00	11,960	18.3
2015	July 1, 2014	-	2,281	2,281	0.00	12,515	18.2
2016	July 1, 2014	-	2,281	2,281	0.00	12,625	18.1

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE LAST TWO YEARS\*

	2016	2015
District's proportion of the net pension liability	0.213811%	0.211292%
District's proportionate share of the net pension liability	\$ 10,563,285	8,379,641
District's covered-employee payroll	\$ 14,647,972	13,826,036
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 1,335,081	1,308,064	1,234,665	1,158,263	1,019,438	836,383	772,358	720,921	649,202	560,800
Contributions in relation to the statutorily required contribution	<u>(1,335,081)</u>	<u>(1,308,064)</u>	<u>(1,234,665)</u>	<u>(1,158,263)</u>	<u>(1,019,438)</u>	<u>(836,383)</u>	<u>(772,358)</u>	<u>(720,921)</u>	<u>(649,202)</u>	<u>(560,800)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 14,950,520	14,647,972	13,826,036	13,359,435	12,632,441	12,034,288	11,113,065	11,353,087	10,730,612	9,753,043
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2016

*Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for 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.

*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.
- 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

# **Denison Community School District**

SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 425,061	119,493	544,554
Receivables:			
Property tax:			
Delinquent	3,839	-	3,839
Succeeding year	360,002	-	360,002
Accounts	-	6,612	6,612
Due from other governments	-	9,275	9,275
<b>TOTAL ASSETS</b>	<b>\$ 788,902</b>	<b>135,380</b>	<b>924,282</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	2,113	2,113
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	360,002	-	360,002
Fund balances:			
Restricted for:			
Management levy purposes	428,900	-	428,900
Student activities	-	134,967	134,967
Unrestricted:			
Student activities	-	(1,700)	(1,700)
Total fund balances	428,900	133,267	562,167
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 788,902</b>	<b>135,380</b>	<b>924,282</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 364,068	-	364,068
Other	31,905	530,492	562,397
State sources	13,678	-	13,678
Total revenues	<u>409,651</u>	<u>530,492</u>	<u>940,143</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	92,657	-	92,657
Other	-	537,301	537,301
Support services:			
Instructional staff	4,250	-	4,250
Administration	29,485	-	29,485
Operation and maintenance of plant	210,397	-	210,397
Transportation	17,028	-	17,028
Total expenditures	<u>353,817</u>	<u>537,301</u>	<u>891,118</u>
Change in fund balances	55,834	(6,809)	49,025
Fund balances beginning of year	<u>373,066</u>	<u>140,076</u>	<u>513,142</u>
Fund balances end of year	<u>\$ 428,900</u>	<u>133,267</u>	<u>562,167</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,559,510	222,030	1,781,540
Receivables:			
Property tax:			
Delinquent	-	1,378	1,378
Succeeding year	-	133,857	133,857
Due from other governments	313,975	-	313,975
<b>TOTAL ASSETS</b>	<b>\$ 1,873,485</b>	<b>357,265</b>	<b>2,230,750</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 538,531	4,063	542,594
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	133,857	133,857
Fund balances:			
Restricted for:			
School infrastructure	1,334,954	-	1,334,954
Physical plant and equipment	-	219,345	219,345
Total fund balances	1,334,954	219,345	1,554,299
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,873,485</b>	<b>357,265</b>	<b>2,230,750</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2016

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	135,971	135,971
Other	6,921	938	7,859
State sources	1,974,514	4,683	1,979,197
Total revenues	<u>1,981,435</u>	<u>141,592</u>	<u>2,123,027</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	104,873	104,873
Support services:			
Instructional staff	47,254	11,269	58,523
Administration	-	3,076	3,076
Operation and maintenance of plant	90,643	27,364	118,007
Transportation	196,424	10,102	206,526
Capital outlay	1,850,042	-	1,850,042
Total expenditures	<u>2,184,363</u>	<u>156,684</u>	<u>2,341,047</u>
Excess of revenues over expenditures	(202,928)	(15,092)	(218,020)
Other financing uses:			
Transfer out	(357,739)	-	(357,739)
Change in fund balances	(560,667)	(15,092)	(575,759)
Fund balances beginning of year	<u>1,895,621</u>	<u>234,437</u>	<u>2,130,058</u>
Fund balances end of year	<u>\$ 1,334,954</u>	<u>219,345</u>	<u>1,554,299</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 1,912	-	766	1,146
Drama rental	485	-	-	485
Vocal	-	2,024	2,024	-
Show choir	868	16,111	16,929	50
Instrumental	-	16,267	16,224	43
MS band	4,920	3,909	5,733	3,096
Athletics	25,397	112,745	128,988	9,154
MS Juice	-	2,999	2,999	-
Cross country	578	7,420	7,148	850
Art club	1,151	-	-	1,151
Baseball club	11,428	30,751	30,747	11,432
Basketball club	-	6,096	6,096	-
Football club	6,094	9,225	15,319	-
Boys golf club	3,016	2,447	2,384	3,079
Girl golf club	292	300	90	502
Health career club	3,024	50	225	2,849
Industrial arts club	921	-	-	921
Softball club	8,579	8,616	5,790	11,405
Boys tennis club	-	760	635	125
Girls tennis club	1,009	494	189	1,314
Track club	-	3,235	2,275	960
Volleyball club	2,532	8,610	7,827	3,315
Wrestling club	951	2,854	2,114	1,691
Boys soccer	1,438	2,120	1,798	1,760
Fitness center	664	-	-	664
Girls soccer	658	1,422	913	1,167
National honor society	1,047	240	462	825
Activity ticket	-	12,550	50	12,500
Academic decathlon	-	1,840	1,840	-
Girls basketball	-	6,327	5,402	925
Business 2000	742	-	124	618
Cheerleaders	-	4,972	3,301	1,671
Concessions	-	56,260	55,211	1,049
Elementary activity	2,743	33,807	29,176	7,374
FFA	11,203	64,413	61,281	14,335
Bowling club	486	1,247	1,206	527
Insufficient checks	-	173	113	60
FCCLA	4,221	1,342	981	4,582
Interest	-	235	235	-
MS activity	8,715	4,606	9,739	3,582

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS pop fund	-	11,447	7,700	3,747
Students assist	242	364	-	606
Student senate	19,345	15,788	26,675	8,458
MS special olympics	-	164	-	164
Purple Pride	947	1,245	1,679	513
MS concessions	-	6,976	6,976	-
Mariachi Band	1,216	36,904	38,105	15
Musical	-	16,451	11,949	4,502
Forensics	-	4,577	4,577	-
Broadway elementary	6,167	2,214	6,023	2,358
Key club	960	3,614	4,574	-
Change	(1,700)	-	-	(1,700)
Graduation	7,825	4,281	2,709	9,397
<b>Total</b>	<b>\$ 140,076</b>	<b>530,492</b>	<b>537,301</b>	<b>133,267</b>

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts				
	Riggleman Scholarship	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 18,764	3,618	12,162	68,051	102,595
<b>LIABILITIES</b>	-	-	-	-	-
<b>NET POSITION</b>					
Held in trust for scholarships	\$ 18,764	3,618	12,162	68,051	102,595

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DENISON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts				
	Riggleman Scholarship	Anonymous Scholarship	Raun Scholarship	Selander Scholarship	Total
ADDITIONS:					
Local sources:					
Interest	\$ 26	-	90	671	787
Contributions	2,000	1,750	-	-	3,750
TOTAL ADDITIONS	2,026	1,750	90	671	4,537
DEDUCTIONS:					
Instruction:					
Other:					
Scholarships awarded	3,250	1,200	400	600	5,450
Change in net position	(1,224)	550	(310)	71	(913)
Net position beginning of year	19,988	3,068	12,472	67,980	103,508
Net position end of year	\$ 18,764	3,618	12,162	68,051	102,595

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 6,035,714	5,814,438	5,594,461	6,899,383	6,307,916	5,875,127	5,503,479	5,160,031	4,960,166	4,762,011
Tuition	1,025,588	1,205,183	1,191,601	1,225,767	1,341,712	971,269	1,030,918	1,048,663	1,051,805	1,089,459
Other	691,747	794,605	725,617	764,378	765,029	1,136,461	623,548	754,469	1,067,344	1,302,002
Intermediate sources	16,421	20,681	19,899	21,921	15,065	25,929	16,097	70,023	9,591	-
State sources	16,636,728	17,074,272	16,605,303	13,900,935	13,020,548	12,024,178	10,404,882	11,219,111	10,694,202	10,072,320
Federal sources	1,231,454	1,282,774	1,287,693	1,255,165	1,108,722	2,934,468	2,544,259	1,362,619	1,149,172	1,472,722
<b>Total</b>	<b>\$ 25,637,652</b>	<b>26,191,953</b>	<b>25,424,574</b>	<b>24,067,549</b>	<b>22,558,992</b>	<b>22,967,432</b>	<b>20,123,183</b>	<b>19,614,916</b>	<b>18,932,280</b>	<b>18,698,514</b>
Expenditures:										
Instruction:										
Regular	\$ 9,207,011	8,909,890	8,472,805	9,052,251	8,244,860	7,188,488	7,422,924	7,054,027	6,720,642	5,746,997
Special	2,595,083	2,521,037	2,459,620	2,502,128	2,422,224	2,074,679	2,045,282	2,116,784	2,049,794	1,797,185
Other	4,081,456	4,202,246	4,020,376	3,723,720	3,252,025	3,886,528	3,016,204	2,855,764	2,480,169	2,935,405
Support services:										
Student	726,435	705,283	627,052	654,645	693,105	601,621	583,261	561,680	578,550	497,592
Instructional staff	1,261,498	1,237,837	1,174,227	920,688	761,608	975,503	646,862	705,866	864,107	596,334
Administration	1,910,213	2,049,440	1,823,404	1,789,955	1,692,272	1,725,304	1,572,611	1,611,937	1,483,141	1,407,915
Operation and maintenance										
of plant	2,116,731	2,288,274	2,141,618	1,918,702	1,849,476	1,756,679	1,581,389	1,622,136	1,650,339	1,387,985
Transportation	1,129,741	1,074,320	1,067,380	1,079,780	1,066,428	741,042	786,589	729,187	823,859	730,200
Non-instructional programs	12,010	7,828	4,227	80	-	-	-	-	-	-
Capital outlay	1,850,042	817,752	306,245	462,660	591,842	4,686,821	677,074	749,239	4,012,528	6,584,913
Long-term debt:										
Principal	3,450,000	845,000	820,000	795,000	775,000	195,000	690,000	744,156	683,615	460,000
Interest and fiscal charges	351,765	374,765	408,913	394,218	399,271	343,446	297,096	333,643	350,465	315,641
Other expenditures:										
AEA flow-through	895,832	894,710	870,505	821,886	789,480	813,046	780,684	673,787	632,819	600,363
<b>Total</b>	<b>\$ 29,587,817</b>	<b>25,928,382</b>	<b>24,196,372</b>	<b>24,115,713</b>	<b>22,537,591</b>	<b>24,988,157</b>	<b>20,099,976</b>	<b>19,758,206</b>	<b>22,330,028</b>	<b>23,060,530</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 16	\$ 202,633
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 16	844,272 *
			<u>1,046,905</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 16	<u>56,972</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	<u>661,076</u>
MIGRANT EDUCATION - STATE GRANT PROGRAM	84.011	FY 16	<u>156,295</u>
SPECIAL EDUCATION GRANTS TO STATES(PART B) - HIGH COST CLAIM	84.027	FY 16	<u>37,856 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 16	<u>27,045</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR-UP)	84.334	FY 16	<u>22,055</u>
IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)	84.367	FY 16	<u>65,950</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 16	<u>8,504</u>
NORTHWEST AREA EDUCATION AGENCY:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 16	<u>112,560 **</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS(TITLE III)	84.365	FY 16	<u>132,973</u>
TOTAL			<u>\$ 2,328,191</u>

\* - Includes \$74,517 in non-cash awards.

\*\* Total for Special Education - (IDEA) is \$150,416

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Denison Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Denison Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Denison Community School District.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Denison Community School District did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **Denison Community School District**

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2017.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-16 to be a significant deficiency.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 9, 2017  
Newton, Iowa

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

**Independent Auditor's Report on Compliance**  
**for Each Major Federal Program and on Internal Control over Compliance**  
**Required by the Uniform Guidance**

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

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

We have audited Denison Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Denison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Denison Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Denison Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item III-A-16 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 9, 2017  
Newton, Iowa

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
  - Child Nutrition Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Denison Community School District did not qualify as a low-risk auditee.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-16 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted an individual has control one or more of the following areas for the District:

- 1) Wire transfers - processing and approving.
- 2) Financial reporting - preparing, reconciling and approving.
- 3) Computer systems - performing all general accounting functions and controlling all data input and output.
- 4) School lunch program - recording, journalizing, posting, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response accepted.

II-B-16 Supporting Documents for Credit Card Payments - During our audit we noted instances of purchases made on District credit cards that lacked detailed receipts and others that did not have a supporting invoice or any other documentation to support the payment.

Recommendation - District policy #417 requires any employee/officer using District issued credit cards to submit the original itemized receipt for each purchase. The District should review its procedures to ensure that all credit card purchases are supported by original detailed receipts in accordance with Board policy.

Response - The District has reviewed its procedures and all credit card purchases will be supported by original detailed receipts in accordance with Board Policy.

Conclusion - Response accepted.

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

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

No matters were noted.

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

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2016  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-16 Segregation of Duties - As previously identified in the fiscal year 2015 audit report as item (2016-001) III-A-15, one important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted an individual has control one or more of the following areas for the District:

- 1) Financial reporting - preparing, reconciling and approving.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.
- 3) School lunch program - recording, journalizing, posting, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response accepted.

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

IV-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 did not exceed the amounts budgeted.

IV-B-16 Questionable Disbursements -  
**Sales Tax Reimbursement** - We noted reimbursements to employees for items purchased with personal credit cards for the full purchase price, including sales tax for items purchased at local retailers. As the District is a tax-exempt entity reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

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

Conclusion - Response accepted.

**Clothing Items Purchased for Staff:** We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

Response - The District has reviewed its procedures and a memo has been shared with administrators/coaches referencing the fact that student activity funds will not be used to buy clothing for coaches/volunteers.

Conclusion - Response accepted.

**Gift Cards and Prizes:** We noted during our audit that the District purchased gift cards and prizes from the Student Activity Fund to be given to students as prizes for fundraisers. Gift cards do not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979. Additionally, gift cards do not provide an opportunity for the Board to "audit and allow" the final purchase as required by Chapter 279.29 of the Code of Iowa.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.

Response - The District has reviewed its procedures and a memo has been shared with administrators referencing the fact that student activity funds will not be used to buy gift cards/certificates to give to students as incentive prizes.

Conclusion - Response accepted.

- IV-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-16 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-16 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 ensure that the coverage is adequate for current operations.
- IV-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-16 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-16 Supplementary Weighting - We noted supplementary weighting data certified to the Iowa Department of Education was overstated by 1.51.

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

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

Conclusion - Response accepted.

- IV-I-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-16 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2016 audit:

Beginning balance		\$ 1,895,621
Revenues:		
Sales tax revenues	\$ 1,974,514	
Other local revenues	6,921	1,981,435
		<u>3,877,056</u>
Expenditures/transfer out:		
School infrastructure construction	1,527,310	
Equipment	395,294	
Other	261,759	
Transfer to another fund:		
Debt service fund	357,739	2,542,102
		<u>2,542,102</u>
Ending balance		<u>\$ 1,334,954</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-16 Financial Condition - At June 30, 2016, the District had one account in the Student Activity Fund with a deficit unassigned fund balance of \$1,700.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit account should also be considered.

Response - Annually we review balances and work with sponsors to meet the goal of a positive balance.

Conclusion - Response accepted.

IV-N-16 DJ Contract - We noted a contract for a DJ for prom that was not signed by the Board President. Chapter 291.1 of the Code of Iowa requires all contracts entered into by the District to be signed by the Board President.

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

Response - The District will have the Board President sign all contracts going forward.

Conclusion - Response accepted.