

DUNKERTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
JUNE 30, 2010

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Mark Brandes	President	2009
Alen Nagel	Vice President	2009
Tony Gamerdinger	Board Member	2009
Joe Stafford	Board Member	2011
Chris Gibson	Board Member	2011
Board of Education (After September 2009 Election)		
Alen Nagel	President	2013
Tony Gamerdinger	Vice President	2013
Joe Stafford	Board Member	2011
Chris Gibson	Board Member	2011
Cindi Rigdon	Board Member	2013
School Officials		
Jim Stanton	Superintendent	2010
Beth Weepie	District Secretary/ Treasurer (resigned)	2010
Amy Morley	District Secretary/ Treasurer (appointed)	2010
Elizabeth Grob	Attorney	2010

Dunkerton Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Dunkerton Community School District, Dunkerton, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Dunkerton Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2011 on our consideration of the Dunkerton Community School District's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District's basic financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,134,210 in fiscal 2009 to \$4,554,989 in fiscal 2010, while General Fund expenditures increased from \$4,517,608 in fiscal 2009 to \$4,609,377 in fiscal 2010. This District's General Fund balance decreased from \$398,115 in fiscal 2009 to a balance of \$346,332 in fiscal 2010, a 13.01% decrease over the prior year.
- The increase in General Fund revenues was attributable to increases in property tax and federal revenue in fiscal 2010. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District's solvency ratio decreased from 9.% at June 30, 2009 to 6.53% at June 30, 2010. The District's solvency level indicated the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dunkerton 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 Dunkerton 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 Dunkerton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

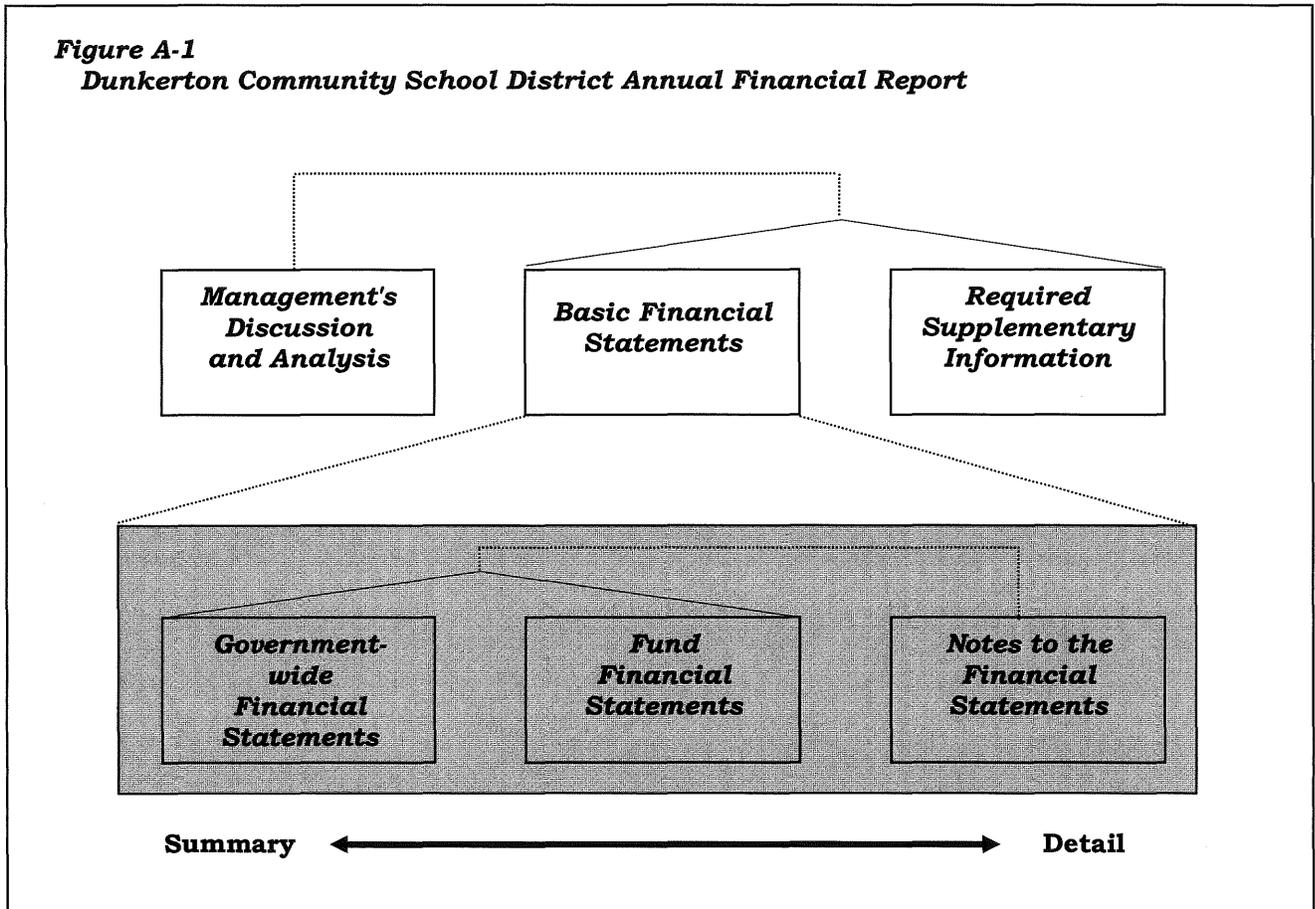


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show 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, and Capital Projects 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.
- 3) *Fiduciary Funds*: The District is the trustee or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Fund - These are funds through which the District administers and accounts for funds held on behalf of outside organizations.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,429,683	3,520,956	124,761	104,432	4,554,444	3,625,388	25.63%
Capital assets	3,545,016	3,738,502	21,829	30,154	3,566,845	3,768,656	-5.35%
Total assets	7,974,699	7,259,458	146,590	134,586	8,121,289	7,394,044	9.84%
Long-term obligations	69,238	-	-	-	69,238	-	100.00%
Other liabilities	2,583,994	2,195,451	2,346	2,314	2,586,340	2,197,765	17.68%
Total liabilities	2,653,232	2,195,451	2,346	2,314	2,655,578	2,197,765	20.83%
Net assets:							
Invested in capital assets, net of related debt	3,545,016	3,738,502	21,829	30,154	3,566,845	3,768,656	-5.35%
Restricted	1,327,242	786,979	-	-	1,327,242	786,979	68.65%
Unrestricted	449,209	538,526	122,415	102,118	571,624	640,644	-10.77%
Total net assets	\$ 5,321,467	5,064,007	144,244	132,272	5,465,711	5,196,279	5.19%

The District's combined net assets increased by 5.19%, or \$269,432 over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$540,263, or 68.65% over the prior year. The increase was primarily a result of the District increase in the Capital Project Fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$69,020, or 10.77%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 358,608	327,295	127,689	134,883	486,297	462,178	5.22%
Operating grants and contributions and restricted interest	1,030,034	755,928	107,788	95,205	1,137,822	851,133	33.68%
General revenues:							
Property tax	1,652,006	1,561,819	-	-	1,652,006	1,561,819	5.77%
Income surtax	193,116	156,416	-	-	193,116	156,416	23.46%
Statewide sales, services and use tax	482,648	479,592	-	-	482,648	479,592	0.64%
Unrestricted state grants	1,666,480	1,666,524	-	-	1,666,480	1,666,524	0.00%
Other	65,099	90,405	5,658	933	70,757	91,338	-22.53%
Transfer	-	(2,000)	-	2,000	-	-	0.00%
Total revenues	5,447,991	5,035,979	241,135	233,021	5,689,126	5,269,000	7.97%
Program expenses:							
Governmental activities:							
Instruction	3,529,652	3,287,735	1,636	1,700	3,531,288	3,289,435	7.35%
Support services	1,400,642	1,450,870	160	-	1,400,802	1,450,870	-3.45%
Non-instructional programs	-	-	227,367	224,695	227,367	224,695	1.19%
Other expenses	260,237	382,904	-	-	260,237	382,904	-32.04%
Total expenses	5,190,531	5,121,509	229,163	226,395	5,419,694	5,347,904	1.34%
Changes in net assets	257,460	(85,530)	11,972	6,626	269,432	(78,904)	-441.47%
Beginning net assets	5,064,007	5,149,537	132,272	125,646	5,196,279	5,275,183	-1.50%
Ending net assets	\$ 5,321,467	5,064,007	144,244	132,272	5,465,711	5,196,279	5.19%

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 73.32% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for 97.65% of the revenue for the business type activities.

The District's total revenue was \$5,689,126, of which \$5,447,991 was for governmental activities and \$241,135 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 7.97% increase in revenues and an increase of 1.34% in expenditures. Property tax increased by \$90,187, operating grants, contributions and restricted interest increased \$286,689. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,447,991 and expenses were \$5,190,531.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2010	2009	2009-10	2010	2009	2009-10
Instruction	\$ 3,529,652	3,287,735	7.36%	2,393,529	2,449,719	-2.29%
Support services	1,400,642	1,450,870	-3.46%	1,353,662	1,376,752	-1.68%
Other expenses	260,237	382,904	-32.04%	54,698	211,815	-74.18%
Totals	<u>\$ 5,190,531</u>	<u>5,121,509</u>	<u>1.35%</u>	<u>3,801,889</u>	<u>4,038,286</u>	<u>-5.85%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$358,608.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,030,034.
- The net cost of governmental activities was financed with \$1,652,006 in property tax, \$193,116 in income surtax, \$482,648 in statewide sales, services and use tax, \$1,666,480 in unrestricted state grants, \$18,380 in interest income and \$46,719 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$241,135 and expenses were \$229,163. The District's business type activities include the School Nutrition Fund, Latchkey Fund and Building Trades Class Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Dunkerton 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 \$1,674,328, over last year's ending fund balances of a \$1,169,089. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position decreased from \$398,115 at June 30, 2009 to \$346,332 at June 30, 2010 and is the product of many factors. Increases in local and federal revenue sources during the year resulted in an increase in revenues. The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The Capital Projects Fund balance increased from \$483,019 in fiscal 2009 to \$895,516 in fiscal 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$58,651 at June 30, 2009 to \$73,578 at June 30, 2010, representing an increase of 25.45%. The Latchkey Fund net assets decreased from \$1,177 at June 30, 2009 to a deficit \$142 at June 30, 2010, representing a decrease of

112.06%. The Building Trades Class Fund net assets decreased from \$72,444 at June 30, 2009 to \$70,808 at June 30, 2010.

BUDGETARY HIGHLIGHTS

The District's revenues were \$197,106 less than budgeted revenues, a variance of 3.36%. The most significant variance resulted from the District receiving less in state sources than 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, 2010, the District had invested \$3,566,845, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.35% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$228,940.

The original cost of the District's capital assets was \$8,715,846. Governmental funds account for \$8,613,157 with the remainder of \$102,689 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 \$21,810 at June 30, 2010, compared to \$0 reported at June 30, 2009. This increase resulted from the various projects that were started but not completed at year end.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Construction in progress	21,810	-	-	-	21,810	-	100.00%
Buildings	3,316,609	3,409,406	-	-	3,316,609	3,409,406	-2.72%
Land improvements	75,610	80,288	-	-	75,610	80,288	-5.83%
Machinery and equipment	120,987	238,808	21,829	30,154	142,816	268,962	-46.90%
Total	\$ 3,545,016	3,738,502	21,829	30,154	3,566,845	3,768,656	-5.35%

Long-Term Debt

At June 30, 2010, the District had \$69,238 in other long-term debt outstanding. This represents an increase of 100.00% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$49,260 at June 30, 2010.

The District had a net OPEB liability payable of \$19,978 as of June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
Early Retirement	\$ 49,260	-	100.00%
OPEB Liability	19,978	-	100.00%
Total	<u>\$ 69,238</u>	-	<u>100.00%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Based on the current economy, the District is anticipating reduced funding from the State of Iowa for upcoming school years. The reduced funding will put a strain on the General Fund cash reserves the District has accumulated.
- The District annually negotiates a new agreement with Dunkerton Teacher's Education Association. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amy Morley, District Secretary/Treasurer, Dunkerton Community School District, 509 S. Canfield, Dunkerton, Iowa, 50626.

**Dunkerton
Community School District**

BASIC FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,103,004	144,528	2,247,532
Receivables:			
Property tax:			
Delinquent	29,694	-	29,694
Succeeding year	1,951,822	-	1,951,822
Income surtax	171,361	-	171,361
Interfund	27,694	(27,694)	-
Accounts	114	-	114
Prepaid items	40,000	-	40,000
Due from other governments	105,994	-	105,994
Inventories	-	7,927	7,927
Capital assets, net of accumulated depreciation	3,545,016	21,829	3,566,845
TOTAL ASSETS	7,974,699	146,590	8,121,289
LIABILITIES			
Accounts payable	128,412	142	128,554
Salaries and benefits payable	390,560	-	390,560
Good faith deposit	113,200	-	113,200
Deferred revenue:			
Succeeding year property tax	1,951,822	-	1,951,822
Unearned revenue	-	2,204	2,204
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	33,760	-	33,760
Portion due after one year:			
Early retirement payable	15,500	-	15,500
Net OPEB liability	19,978	-	19,978
TOTAL LIABILITIES	2,653,232	2,346	2,655,578
NET ASSETS			
Invested in capital assets, net of related debt	3,545,016	21,829	3,566,845
Restricted for:			
Categorical funding	48,506	-	48,506
Capital projects	895,516	-	895,516
Management levy	125,434	-	125,434
Physical plant and equipment levy	190,780	-	190,780
Other special revenue purposes	67,006	-	67,006
Unrestricted	449,209	122,415	571,624
TOTAL NET ASSETS	\$ 5,321,467	144,244	5,465,711

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,316,454	179,115	620,816	(1,516,523)	-	(1,516,523)
Special	673,534	51,746	80,511	(541,277)	-	(541,277)
Other	539,664	127,747	76,188	(335,729)	-	(335,729)
	<u>3,529,652</u>	<u>358,608</u>	<u>777,515</u>	<u>(2,393,529)</u>	<u>-</u>	<u>(2,393,529)</u>
Support services:						
Student	98,387	-	-	(98,387)	-	(98,387)
Instructional staff	139,879	-	40,431	(99,448)	-	(99,448)
Administration	530,908	-	-	(530,908)	-	(530,908)
Operation and maintenance of plant	414,359	-	-	(414,359)	-	(414,359)
Transportation	217,109	-	6,549	(210,560)	-	(210,560)
	<u>1,400,642</u>	<u>-</u>	<u>46,980</u>	<u>(1,353,662)</u>	<u>-</u>	<u>(1,353,662)</u>
Other expenditures:						
Facilities acquisitions	54,895	-	197	(54,698)	-	(54,698)
AEA flowthrough	205,342	-	205,342	-	-	-
	<u>260,237</u>	<u>-</u>	<u>205,539</u>	<u>(54,698)</u>	<u>-</u>	<u>(54,698)</u>
Total governmental activities	5,190,531	358,608	1,030,034	(3,801,889)	-	(3,801,889)
Business Type activities:						
Instruction:						
Other	1,636	-	-	-	(1,636)	(1,636)
Support services:						
Administration	160	-	-	-	(160)	(160)
	<u>1,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,796)</u>	<u>(1,796)</u>
Non-instructional programs:						
Nutrition	221,152	122,793	-	-	(98,359)	(98,359)
Latchkey operations	6,215	4,896	107,788	-	106,469	106,469
Total business type activities	<u>229,163</u>	<u>127,689</u>	<u>107,788</u>	<u>-</u>	<u>6,314</u>	<u>6,314</u>
Total	\$ 5,419,694	486,297	1,137,822	(3,801,889)	6,314	(3,795,575)
General Revenues:						
Local tax for:						
General purposes				\$ 1,533,137	-	1,533,137
Capital outlays				118,869	-	118,869
Income surtax				193,116	-	193,116
Statewide sales, services and use tax				482,648	-	482,648
Unrestricted state grants				1,666,480	-	1,666,480
Unrestricted investment earnings				18,380	688	19,068
Other general revenues				46,719	4,970	51,689
Total general revenues				<u>4,059,349</u>	<u>5,658</u>	<u>4,065,007</u>
Changes in net assets				257,460	11,972	269,432
Net assets beginning of year				5,064,007	132,272	5,196,279
Net assets end of year				\$ 5,321,467	144,244	5,465,711

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 804,624	909,415	388,965	2,103,004
Receivables:				
Property tax:				
Delinquent	25,116	-	4,578	29,694
Succeeding year	1,537,614	-	414,208	1,951,822
Income surtax	171,361	-	-	171,361
Interfund	-	27,694	-	27,694
Accounts	114	-	-	114
Prepaid item	-	-	40,000	40,000
Due from other governments	28,923	77,071	-	105,994
TOTAL ASSETS	\$ 2,567,752	1,014,180	847,751	4,429,683
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 121,885	5,464	1,063	128,412
Salaries and benefits payable	390,560	-	-	390,560
Good faith deposit	-	113,200	-	113,200
Deferred revenue:				
Succeeding year property tax	1,537,614	-	414,208	1,951,822
Income surtax	171,361	-	-	171,361
Total liabilities	2,221,420	118,664	415,271	2,755,355
Fund balances:				
Reserved for:				
Categorical funding	48,506	-	-	48,506
Unreserved	297,826	895,516	432,480	1,625,822
Total fund balances	346,332	895,516	432,480	1,674,328
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,567,752	1,014,180	847,751	4,429,683

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$ 1,674,328
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,545,016
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	171,361
Long-term liabilities, including early retirement and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.	<u>(69,238)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 5,321,467</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,576,145	482,648	254,032	2,312,825
Tuition	213,480	-	-	213,480
Other	69,355	3	138,377	207,735
State sources	2,186,163	-	392	2,186,555
Federal sources	509,846	-	-	509,846
Total revenues	<u>4,554,989</u>	<u>482,651</u>	<u>392,801</u>	<u>5,430,441</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,019,332	-	57,817	2,077,149
Special	673,534	-	-	673,534
Other	396,858	-	137,386	534,244
	<u>3,089,724</u>	<u>-</u>	<u>195,203</u>	<u>3,284,927</u>
Support services:				
Student	97,849	-	-	97,849
Instructional staff	139,512	-	-	139,512
Administration	523,291	-	-	523,291
Operation and maintenance of plant	371,931	-	40,700	412,631
Transportation	181,728	-	5,822	187,550
	<u>1,314,311</u>	<u>-</u>	<u>46,522</u>	<u>1,360,833</u>
Other expenditures:				
Facilities acquisitions	-	70,154	6,551	76,705
AEA flowthrough	205,342	-	-	205,342
	<u>205,342</u>	<u>70,154</u>	<u>6,551</u>	<u>282,047</u>
Total expenditures	<u>4,609,377</u>	<u>70,154</u>	<u>248,276</u>	<u>4,927,807</u>
Excess of revenues over expenditures	(54,388)	412,497	144,525	502,634
Other financing sources:				
Proceeds for sale of equipment	2,605	-	-	2,605
Net change in fund balances	(51,783)	412,497	144,525	505,239
Fund balance beginning of year	398,115	483,019	287,955	1,169,089
Fund balance end of year	<u>\$ 346,332</u>	<u>895,516</u>	<u>432,480</u>	<u>1,674,328</u>

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON 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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 505,239

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 27,129	
Depreciation expense	<u>(220,615)</u>	(193,486)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 14,945

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.

Early retirement	(49,260)	
Other postemployment benefits	<u>(19,978)</u>	<u>(69,238)</u>

Changes in net assets of governmental activities (page 19) \$ 257,460

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	School Nutrition	Latch Key	Building Trades Class	Total
Assets				
Cash and pooled investments	\$ 73,720	-	70,808	144,528
Inventories	7,927	-	-	7,927
Capital assets, net of accumulated depreciation	21,829	-	-	21,829
Total assets	103,476	-	70,808	174,284
Liabilities				
Interfund payable	27,694	-	-	27,694
Accounts payable	-	142	-	142
Unearned revenue	2,204	-	-	2,204
Total liabilities	29,898	142	-	30,040
Net Assets				
Invested in capital assets	21,829	-	-	21,829
Unrestricted	51,749	(142)	70,808	122,415
Total net assets	\$ 73,578	(142)	70,808	144,244

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Latch Key	Building Trades Class	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 122,793	4,896	-	127,689
Other miscellaneous revenue	4,970	-	-	4,970
TOTAL OPERATING REVENUES	127,763	4,896	-	132,659
OPERATING EXPENSES:				
Instruction:				
Other:				
Supplies	-	-	1,636	1,636
	-	-	1,636	1,636
Support services:				
Operation and maintenance of plant:				
Services	160	-	-	160
	160	-	-	160
Non-instructional programs:				
Food service operations:				
Salaries	72,457	-	-	72,457
Benefits	10,313	-	-	10,313
Services	1,481	-	-	1,481
Supplies	128,403	-	-	128,403
Other	173	-	-	173
Depreciation	8,325	-	-	8,325
	221,152	-	-	221,152
Latchkey operations:				
Salaries	-	5,394	-	5,394
Benefits	-	682	-	682
Supplies	-	139	-	139
	-	6,215	-	6,215
TOTAL OPERATING EXPENSES	221,312	6,215	1,636	229,163
OPERATING LOSS	(93,549)	(1,319)	(1,636)	(96,504)
NON-OPERATING REVENUES:				
State sources	2,353	-	-	2,353
Federal sources	105,435	-	-	105,435
Interest on investments	688	-	-	688
TOTAL NON-OPERATING REVENUES	108,476	-	-	108,476
Changes in net assets	14,927	(1,319)	(1,636)	11,972
Net assets beginning of year	58,651	1,177	72,444	132,272
Net assets end of year	\$ 73,578	(142)	70,808	144,244

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Latch Key	Building Trades Class	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 122,899	-	-	122,899
Cash received from miscellaneous	4,970	4,896	-	9,866
Cash payments to employees for services	(82,770)	(6,076)	-	(88,846)
Cash payments to suppliers for goods or services	(117,544)	3	(1,636)	(119,177)
Net cash used in operating activities	<u>(72,445)</u>	<u>(1,177)</u>	<u>(1,636)</u>	<u>(75,258)</u>
Cash flows from non-capital financing activities:				
State grants received	2,353	-	-	2,353
Federal grants received	91,966	-	-	91,966
Net cash provided by non-capital financing activities	<u>94,319</u>	<u>-</u>	<u>-</u>	<u>94,319</u>
Cash flows from investing activities:				
Interest on investments	688	-	-	688
Net increase(decrease) in cash and cash equivalents	22,562	(1,177)	(1,636)	19,749
Cash and cash equivalents at beginning of year	51,158	1,177	72,444	124,779
Cash and cash equivalents at end of year	<u>\$ 73,720</u>	<u>-</u>	<u>70,808</u>	<u>144,528</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (93,549)	(1,319)	(1,636)	(96,504)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	13,469	-	-	13,469
Depreciation	8,325	-	-	8,325
Increase in inventories	(796)	-	-	(796)
Decrease in accounts receivable	216	-	-	216
Increase in accounts payable	-	142	-	142
Decrease in unearned revenue	(110)	-	-	(110)
Net cash used in operating activities	<u>\$ (72,445)</u>	<u>(1,177)</u>	<u>(1,636)</u>	<u>(75,258)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$13,469.

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 12,415	17,449
LIABILITIES		
Due to other groups	-	17,449
NET ASSETS		
Reserved for scholarships	& 12,415	-

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 245
Donations	749
TOTAL ADDITIONS	<u>994</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>994</u>
Changes in net assets	-
Net assets beginning of year	<u>12,415</u>
Net assets end of year	<u>\$ 12,415</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The Dunkerton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Dunkerton, Iowa, and the predominate agricultural territory in Blackhawk 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, Dunkerton 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 Dunkerton 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 do 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 Blackhawk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have 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 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.

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.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition, Latchkey and Buildings Trade Class Funds. These funds are used to account for the food service, daycare and buildings trades class operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a

1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 Assets. 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	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more
Machinery and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied. Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Obligations - 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 Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2010, the District had no investments.

(3) Interfund Receivables and Payables

Individual interfund receivable and payable balances at June 30, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Nutrition Fund	<u>\$ 27,694</u>

The Enterprise, School Nutrition Fund is repaying the Capital Projects Fund for equipment purchased from the prior year. The balance will be repaid by June 30, 2011.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in progress	-	21,810	-	21,810
Total capital assets not being depreciated	<u>10,000</u>	<u>21,810</u>	<u>-</u>	<u>31,810</u>
Capital assets being depreciated:				
Buildings	6,339,164	-	11,938	6,327,226
Land improvements	337,820	-	-	337,820
Machinery and equipment	1,910,982	5,319	-	1,916,301
Total capital assets being depreciated	<u>8,587,966</u>	<u>5,319</u>	<u>11,938</u>	<u>8,581,347</u>
Less accumulated depreciation for:				
Buildings	2,929,758	92,797	11,938	3,010,617
Land improvements	257,532	4,678	-	262,210
Machinery and equipment	1,672,174	123,140	-	1,795,314
Total accumulated depreciation	<u>4,859,464</u>	<u>220,615</u>	<u>11,938</u>	<u>5,068,141</u>
Total capital assets being depreciated, net	<u>3,728,502</u>	<u>(215,296)</u>	<u>-</u>	<u>3,513,206</u>
Governmental activities capital assets, net	<u>\$ 3,738,502</u>	<u>(193,486)</u>	<u>-</u>	<u>3,545,016</u>
	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 105,189	-	2,500	102,689
Less accumulated depreciation	75,035	8,325	2,500	80,860
Business type activities capital assets, net	<u>\$ 30,154</u>	<u>(8,325)</u>	<u>-</u>	<u>21,829</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 176,207
Other		5,420
Support services:		
Administrative		4,339
Operation and maintenance of plant		5,090
Transportation		29,559
		29,559
Total governmental activities depreciation expense		\$ 220,615
Business type activities:		
Food services		\$ 8,325

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early retirement	\$ -	61,260	12,000	49,260	33,760
OPEB liability	-	19,978	-	19,978	-
Total	\$ -	81,238	12,000	69,238	33,760

Early Retirement

The District offered early retirement during the year ended June 30, 2010. A maximum of three employee applications for early retirement will be accepted per year. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is a cash payment of \$10,000 plus \$20 for every unused sick day with a maximum of 135 days. The District paid \$12,000 in early retirement benefits during the year ended June 30, 2010. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 52 active and 5 retired members in the plan. Participants must be age 55 or older at retirement. Employees must be at least age 55 with 15 or more years of service to be eligible for the District's cash benefit.

The District pays a cash benefit of \$10,000 plus \$20 for every unused sick day. The cash benefit is shown as an explicit subsidy and an OPEB liability.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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 the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 25,696
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>25,696</u>
Contributions made	<u>5,718</u>
Increase in net OPEB obligation	19,978
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 19,978</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$5,718 to the medical and explicit plans. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 25,696	22.25%	\$ 19,978

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009

through June 30, 2010, the actuarial accrued liability was \$184,109, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$184,109. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,728,147, and the ratio of the UAAL to covered payroll was 10.65%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are for the \$509 per month for retirees who have attained age 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$180,829, \$173,769, and \$154,277, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2010 were \$377,185.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$205,342 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Unrestricted Net Assets/Fund Balance

The Latch Key Fund had deficit \$142 unrestricted net assets at June 30, 2010.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
Talented and gifted	\$ 4,008
Salary Improvement Program	25,010
Market Factor	3,667
Beginning Teacher Mentoring	483
Professional Development for Model Core Curriculum	3,110
Professional Development	11,320
Market factor incentives	908
Total	<u>\$ 48,506</u>

Dunkerton Community School District

REQUIRED SUPPLEMENTARY INFORMATION

DUNKERTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,734,040	133,347	2,867,387	2,787,043	2,787,043	80,344
State sources	2,186,555	2,353	2,188,908	2,793,639	2,793,639	(604,731)
Federal sources	509,846	105,435	615,281	288,000	288,000	327,281
Total revenues	<u>5,430,441</u>	<u>241,135</u>	<u>5,671,576</u>	<u>5,868,682</u>	<u>5,868,682</u>	<u>(197,106)</u>
Expenditures/expenses:						
Instruction	3,284,927	1,636	3,286,563	3,554,000	3,754,000	467,437
Support services	1,360,833	160	1,360,993	2,255,000	2,055,000	694,007
Non-instructional programs	-	227,367	227,367	358,546	358,546	131,179
Other expenditures	282,047	-	282,047	669,257	669,257	387,210
Total expenditures/expenses	<u>4,927,807</u>	<u>229,163</u>	<u>5,156,970</u>	<u>6,836,803</u>	<u>6,836,803</u>	<u>1,679,833</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	502,634	11,972	514,606	(968,121)	(968,121)	1,482,727
Other financing sources, net	<u>2,605</u>	<u>-</u>	<u>2,605</u>	<u>-</u>	<u>-</u>	<u>2,605</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	505,239	11,972	517,211	(968,121)	(968,121)	1,485,332
Balance beginning of year	<u>1,169,089</u>	<u>132,272</u>	<u>1,301,361</u>	<u>1,704,694</u>	<u>1,704,694</u>	<u>(403,333)</u>
Balance end of year	<u>\$ 1,674,328</u>	<u>144,244</u>	<u>1,818,572</u>	<u>736,573</u>	<u>736,573</u>	<u>1,081,999</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1 ,2009	\$ -	\$ 184,109	\$ 184,109	0.0%	\$ 1,728,147	10.65%

See Note 6 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.

OTHER SUPPLEMENTARY INFORMATION

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Nonmajor Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 173,321	67,006	148,638	388,965	-	388,965
Receivables:						
Property tax:						
Delinquent	2,436	-	2,142	4,578	-	4,578
Succeeding year	37,500	-	206,680	244,180	170,028	414,208
Prepaid item	-	-	40,000	40,000	-	40,000
TOTAL ASSETS	\$ 213,257	67,006	397,460	677,723	170,028	847,751
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,063	-	-	1,063	-	1,063
Deferred revenue:						
Succeeding year property tax	37,500	-	206,680	244,180	170,028	414,208
Total liabilities	38,563	-	206,680	245,243	170,028	415,271
Fund balances:						
Unreserved:						
Undesignated	174,694	67,006	190,780	432,480	-	432,480
TOTAL LIABILITIES AND FUND BALANCES	\$ 213,257	67,006	397,460	677,723	170,028	847,751

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 135,163	-	118,869	254,032
Other	9,688	128,689	-	138,377
State sources	104	-	288	392
Federal sources	-	-	-	-
TOTAL REVENUES	144,955	128,689	119,157	392,801
EXPENDITURES:				
Current:				
Instruction:				
Regular	57,817	-	-	57,817
Other	-	137,386	-	137,386
Support services:				
Operation and maintenance of plant	29,640	-	11,060	40,700
Transportation	5,822	-	-	5,822
Other expenditures:				
Facilities acquisitions	-	-	6,551	6,551
TOTAL EXPENDITURES	93,279	137,386	17,611	248,276
EXCESS OF REVENUES OVER EXPENDITURES	51,676	(8,697)	101,546	144,525
FUND BALANCE BEGINNING OF YEAR	123,018	75,703	89,234	287,955
FUND BALANCE END OF YEAR	\$ 174,694	67,006	190,780	432,480

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 16,563	39,722	49,755	6,530
ACT Concession Stand	575	570	1,145	-
Marketing Class	133	-	133	-
Bakeshop	1,314	966	2,280	-
Materials for Resale - Industrial Arts	81	260	341	-
Band - General	1,903	689	2,703	(111)
Band - Resale	630	1,499	2,129	-
EWALU	355	1,711	2,066	-
Four Year Trip	22,036	8,453	3,152	27,337
General Student Projects	4,938	-	3,567	1,371
Materials for Resale - Supplies	629	194	-	823
Band/ Chorus Trip	167	1,033	-	1,200
Music	-	9,637	9,637	-
Elementary School Projects	912	1,083	-	1,995
Secondary School Projects	(1,000)	1,530	-	530
Summer Recreation	214	6,158	1,981	4,391
High School Miscellaneous	495	-	567	(72)
Class of 2007	960	-	960	-
Class of 2008	543	-	543	-
Class of 2009	945	-	945	-
Class of 2010	28	609	19	618
Class of 2011	515	5,745	5,711	549
Class of 2012	754	543	56	1,241
Class of 2013	2,065	1,649	420	3,294
Class of 2014	396	557	420	533
Class of 2015	-	883	-	883
Student Senate	400	1,772	538	1,634
Pop Fund	3,465	3,720	4,687	2,498
Fitness Center	497	750	1,551	(304)
Watch the Stars	-	6,508	6,339	169
Library Activities	62	-	62	-
Yearbook	2,552	7,227	3,086	6,693
Speech	-	-	-	-
Spanish Club	631	-	631	-
Dramatics	945	462	168	1,239
Cheerleaders	226	6,083	5,732	577
Honor Society	227	1,267	1,154	340
Athletic Resale	782	3,819	3,265	1,336
Athletic Fundraiser	5,231	12,648	18,744	(865)
Science Activities	(176)	176	-	-
DARE	355	-	-	355
Interest Revenue	4,355	766	2,899	2,222
Total	\$ 75,703	128,689	137,386	67,006

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	<hr/>			Balance
	Balance			End
	Beginning			
	of Year	Additions	Deletions	of Year
	<hr/>			<hr/>
ASSETS				
Cash	\$ 18,073	27,078	27,702	17,449
	<hr/>			<hr/>
LIABILITIES				
Due to other groups	\$ 18,073	27,078	27,702	17,449
	<hr/>			<hr/>

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,312,825	2,178,358	2,070,441	1,886,312	1,394,604	1,299,427	1,365,621
Tuition	213,480	180,807	201,595	239,939	263,552	2,056,440	120,787
Other	207,735	225,187	264,417	296,698	835,888	699,027	715,021
State sources	2,186,555	2,203,139	2,372,824	2,370,841	2,296,218	2,154,412	1,860,819
Federal sources	509,846	231,019	154,596	171,291	139,492	174,619	98,709
Total	\$ 5,430,441	5,018,510	5,063,873	4,965,081	4,929,754	6,383,925	4,160,957
Expenditures:							
Current:							
Instruction:							
Regular	\$ 2,077,149	2,048,352	1,989,474	1,925,337	1,845,617	1,765,305	1,910,629
Special	673,534	623,383	448,878	291,846	331,681	424,909	430,792
Other	534,244	482,748	492,983	530,123	478,949	351,550	380,620
Support services:							
Student	97,849	133,320	109,809	85,424	85,233	122,143	115,367
Instructional staff	139,512	130,833	125,191	153,019	123,073	112,532	74,093
Administration	523,291	502,298	495,673	484,621	484,893	496,468	540,053
Operation and maintenance of plant	412,631	435,919	482,796	442,855	382,826	367,952	337,653
Transportation	187,550	223,431	197,528	182,233	176,020	133,758	133,933
Non-instructional programs	-	-	-	-	-	15,583	-
Other expenditures:							
Facilities acquisitions	76,705	18,180	4,453	40,749	-	8,572	8,750
Long-term debt:							
Principal	-	325,000	1,090,000	335,000	315,000	327,281	338,444
Interest	-	8,968	51,575	69,614	87,214	113,458	122,310
AEA flow-through	205,342	171,089	169,206	162,278	151,114	147,628	140,657
Refund of prior yer tax	-	187,641	-	-	-	-	-
Total	\$ 4,927,807	5,291,162	5,657,566	4,703,099	4,461,620	4,387,139	4,533,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
RURAL EDUCATION	84.358	FY 10	\$ <u>40,431</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	14,515
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	90,920 *
			<u>105,435</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	43,709
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	24,196
			<u>67,905</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>1,240</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 09	18,275
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	18,421
			<u>36,696</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 10	<u>3,055</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>221,880</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	24,788
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	55,723
			<u>80,511</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>5,002</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HUMAN SERVICES:			
HEAD START	93.600	FY 10	<u>40,000</u>
TOTAL			<u>\$ 602,155</u>

* -Includes \$13,469 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

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 Dunkerton Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dunkerton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Dunkerton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dunkerton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunkerton 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

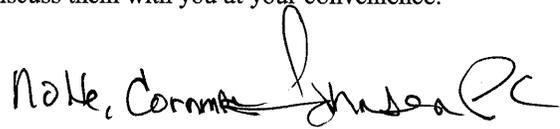
direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2010 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dunkerton Community School District and other parties to whom Dunkerton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dunkerton 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.

March 14, 2011

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 with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Dunkerton Community School District:

Compliance

We have audited the compliance of Dunkerton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Dunkerton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Dunkerton Community School District's management. Our responsibility is to express an opinion on Dunkerton Community School District's compliance based on our audit.

We conducted our audit on compliance in accordance with U.S. generally accepted accounting standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dunkerton 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. Our audit does not provide a legal determination on Dunkerton Community School District's compliance with those requirements.

In our opinion, Dunkerton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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 that 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, 2010 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dunkerton Community School District and other parties to whom Dunkerton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dunkerton 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.

March 14, 2011

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dunkerton Community School District and other parties to whom Dunkerton Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2011

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CDFA Number 84.394 - ARRA - State Fiscal Stabilization Fund(SFSF) State Grants, Recovery Act
 - Clustered Programs:
 - Nutrition Cluster:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Dunkerton Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - Dunkerton Community Schools will implement a policy where the cash receipt listings, bank deposits and the posting of the cash receipt journals are periodically checked by another person within the Central Office staff. Although time and personnel issues do not allow for this at all times, we will ask office staff to do so on a periodic basis.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program Education
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act
Federal Award Year: 2010
Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - Dunkerton Community Schools will implement a policy where the cash receipt listings, bank deposits and the posting of the cash receipt journals are periodically checked by another person within the Central Office staff. Although time and personnel issues do not allow for this at all times, we will ask office staff to do so on a periodic basis.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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. However, we noted that the reimbursement rate being paid does not equal the rate of 24 cents per mile as stated in board policy 401.7.

Recommendation - The District should review its procedures to ensure that the mileage reimbursement rate equals the amount stated in the board policy. The District may want to review its board policy and update the rate if necessary.

Response - Dunkerton Community School Board Policy 401.7 has been changed to reflect the current travel reimbursement rate to \$.30 per mile.

Conclusion - Response accepted.

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joe Stafford, Board Member Owner, Stafford Tire	Tire repairs	\$ 306

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member Joe Stafford does not appear to be a conflict of interest.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-10 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-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	479,592
Statewide sales, services and use tax revenue			<u>482,648</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	41,677	
Equipment		<u>28,477</u>	<u>70,154</u>
Ending Balance		\$	<u><u>892,086</u></u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical Plant and Equipment Levy	\$ 0.67000	\$ 80,136

IV-M-10 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to be in compliance with 291.1 of the Code of Iowa.

Response - The Board President will sign all officiating contracts entered into by the District.

Conclusion - Response accepted.

IV-N-10 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response - Dunkerton Community Schools has made arrangements with Farmers State Bank to receive both front and back images of all cancelled checks for all accounts held by the District.

Conclusion - Response accepted.

IV-O-10 Financial Condition - The District had a deficit unrestricted net assets in the Latch Key Fund of \$142 at June 30, 2010.

Recommendation - The District should continue to monitor fund balances and investigate alternatives to eliminate the deficits.

Response - The District has closed the Latch Key Fund.

Conclusion - Response accepted.