

DUNKERTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Amy Morley	District Secretary/ Treasurer	2011
Elizabeth Grob	Attorney	2011

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, 2011, 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, 2011, 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 6, 2012 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 44 through 46 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those 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 7, 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.

A handwritten signature in black ink, reading "Nolte, Cornman & Johnson PC". The signature is written in a cursive, professional style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,554,989 in fiscal 2010 to \$5,073,336 in fiscal 2011, while General Fund expenditures increased from \$4,609,377 in fiscal 2010 to \$4,749,511 in fiscal 2011. This District's General Fund balance increased from \$346,332 in fiscal 2010 to \$670,157 in fiscal 2011, a 93.50% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in property tax and state revenue in fiscal 2011. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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.

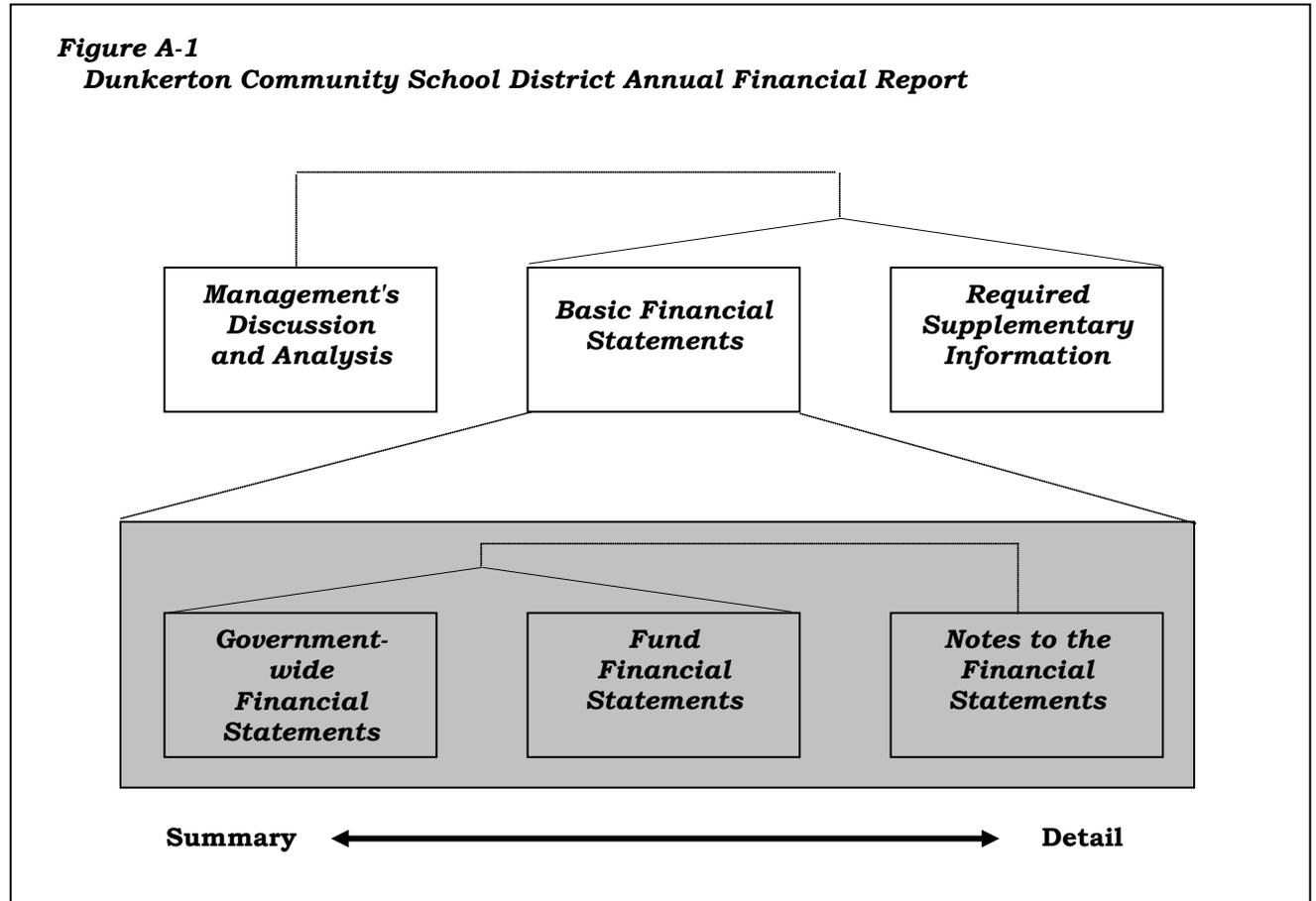


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

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
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 8,032,133	4,429,683	141,972	124,761	8,174,105	4,554,444	79.48%
Capital assets	7,406,570	3,545,016	15,168	21,829	7,421,738	3,566,845	108.08%
Total assets	15,438,703	7,974,699	157,140	146,590	15,595,843	8,121,289	92.04%
Long-term obligations	5,564,235	69,238	-	-	5,564,235	69,238	100.00%
Other liabilities	4,017,562	2,583,994	2,453	2,346	4,020,015	2,586,340	55.43%
Total liabilities	9,581,797	2,653,232	2,453	2,346	9,584,250	2,655,578	260.91%
Net assets:							
Invested in capital assets, net of related debt	3,711,281	3,545,016	15,168	21,829	3,726,449	3,566,845	4.47%
Restricted	1,419,122	1,327,242	-	-	1,419,122	1,327,242	6.92%
Unrestricted	726,503	449,209	139,519	122,415	866,022	571,624	51.50%
Total net assets	\$ 5,856,906	5,321,467	154,687	144,244	6,011,593	5,465,711	9.99%

The District's combined net assets increased by 9.99%, or \$545,882 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 \$91,880, or 6.92% 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 – increased \$294,398, or 51.50%. This increase 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, 2011 compared to June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 368,046	358,608	126,670	127,689	494,716	486,297	1.73%
Operating grants and contributions and restricted interest	554,130	1,030,034	113,256	107,788	667,386	1,137,822	-41.35%
General revenues:							
Property tax	1,939,734	1,652,006	-	-	1,939,734	1,652,006	17.42%
Income surtax	190,462	193,116	-	-	190,462	193,116	-1.37%
Statewide sales, services and use tax	391,221	482,648	-	-	391,221	482,648	-18.94%
Unrestricted state grants	2,362,101	1,666,480	-	-	2,362,101	1,666,480	41.74%
Nonspecific program federal grants	88,045	-	-	-	88,045	-	100.00%
Other	130,287	65,099	8,357	5,658	138,644	70,757	95.94%
Total revenues	6,024,026	5,447,991	248,283	241,135	6,272,309	5,689,126	10.25%
Program expenses:							
Governmental activities:							
Instruction	3,490,405	3,529,652	-	1,636	3,490,405	3,531,288	-1.16%
Support services	1,477,368	1,400,642	7,217	160	1,484,585	1,400,802	5.98%
Non-instructional programs	-	-	230,623	227,367	230,623	227,367	1.43%
Other expenses	520,814	260,237	-	-	520,814	260,237	100.13%
Total expenses	5,488,587	5,190,531	237,840	229,163	5,726,427	5,419,694	5.66%
Changes in net assets	535,439	257,460	10,443	11,972	545,882	269,432	102.60%
Beginning net assets	5,321,467	5,064,007	144,244	132,272	5,465,711	5,196,279	5.19%
Ending net assets	\$ 5,856,906	5,321,467	154,687	144,244	6,011,593	5,465,711	9.99%

Property tax, income surtax, statewide sales, services and use tax, unrestricted state grants and nonspecific program federal grants account for 82.53% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for 96.63% of the revenue for the business type activities.

The District's total revenue was \$6,272,309, of which \$6,024,026 was for governmental activities and \$248,283 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 10.25% increase in revenues and an increase of 5.66% in expenditures. Property tax increased by \$287,728 to fund the increase in expenditures. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$6,024,026 and expenses were \$5,488,587.

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
	2011	2010	2010-11	2011	2010	2010-11
Instruction	\$ 3,490,405	3,529,652	-1.11%	2,799,870	2,393,529	16.98%
Support services	1,477,368	1,400,642	5.48%	1,469,394	1,353,662	8.55%
Other expenses	520,814	260,237	100.13%	297,147	54,698	443.25%
Totals	\$ 5,488,587	5,190,531	5.74%	4,566,411	3,801,889	20.11%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$368,046.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$554,130.
- The net cost of governmental activities was financed with \$1,939,734 in property tax, \$190,462 in income surtax, \$391,221 in statewide sales, services and use tax, \$2,362,101 in unrestricted state grants, \$88,045 in nonspecific program federal grants, \$41,985 in interest income and \$88,302 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$248,283 and expenses were \$237,840. 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 \$3,854,032, over last year's ending fund balances of a \$1,674,328. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in the Capital Projects Fund balance due to the issuance of bonds.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$346,332 at June 30, 2010 to \$670,157 at June 30, 2011 and is the product of many factors. Increases in local and state 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 \$1,086,296 in fiscal 2010 to \$2,665,881 in fiscal 2011 due to the issuance of general obligation bonds and revenue bonds. With the implantation of GASB Statement #54, the Physical Plant and Equipment Levy Fund is reclassified as a Capital Projects Fund as of July 1, 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$73,578 at June 30, 2010 to \$83,879 at June 30, 2011, representing an increase of 14.00%. The Latchkey Fund net assets increased from a deficit \$142 at June 30, 2010 to \$0 at June 30, 2011. The District closed its Latch Key Fund as of June 30, 2011. The Building Trades Class Fund net assets had no change from \$70,808 at June 30, 2010 to \$70,808 at June 30, 2011.

BUDGETARY HIGHLIGHTS

The District's revenues were \$222,432 less than budgeted revenues, a variance of 3.43%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7,421,738, 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 increase of 108.08% over last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$147,943.

The original cost of the District's capital assets was \$12,655,519. Governmental funds account for \$12,553,018 with the remainder of \$102,501 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 \$3,942,099 at June 30, 2011, compared to \$21,810 reported at June 30, 2010. 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 Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Construction in progress	3,942,099	21,810	-	-	3,942,099	21,810	100.00%
Buildings	3,236,577	3,316,609	-	-	3,236,577	3,316,609	-2.41%
Land improvements	70,931	75,610	-	-	70,931	75,610	-6.19%
Machinery and equipment	146,963	120,987	15,168	21,829	162,131	142,816	13.52%
Total	\$ 7,406,570	3,545,016	15,168	21,829	7,421,738	3,566,845	108.08%

Long-Term Debt

At June 30, 2011, the District had \$5,564,235 in other long-term debt outstanding. This represents an increase of 7,936.39% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$1,925,000 at June 30, 2011.

The District had total outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$3,510,000 at June 30, 2011.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$90,670 at June 30, 2011.

The District had a net OPEB liability payable of \$38,565 as of June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 1,925,000	-	100.00%
Revenue bonds	3,510,000	-	100.00%
Early retirement	90,670	49,260	84.06%
OPEB liability	38,565	19,978	93.04%
Total	<u>\$ 5,564,235</u>	<u>69,238</u>	<u>7936.39%</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, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,607,955	162,593	5,770,548
Receivables:			
Property tax:			
Delinquent	28,234	-	28,234
Succeeding year	2,042,476	-	2,042,476
Income surtax	178,097	-	178,097
Interfund	27,694	(27,694)	-
Accounts	2,091	-	2,091
Due from other governments	145,586	-	145,586
Inventories	-	7,073	7,073
Capital assets, net of accumulated depreciation	7,406,570	15,168	7,421,738
TOTAL ASSETS	15,438,703	157,140	15,595,843
LIABILITIES			
Accounts payable	1,725,688	17	1,725,705
Salaries and benefits payable	165,351	-	165,351
Interest payable	17,558	-	17,558
Deferred revenue:			
Succeeding year property tax	2,042,476	-	2,042,476
Other	66,489	-	66,489
Unearned revenue	-	2,436	2,436
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	75,000	-	75,000
Revenue bonds payable	140,000	-	140,000
Early retirement payable	19,985	-	19,985
Portion due after one year:			
General obligation bonds payable	1,850,000	-	1,850,000
Revenue bonds payable	3,370,000	-	3,370,000
Early retirement payable	70,685	-	70,685
Net OPEB liability	38,565	-	38,565
TOTAL LIABILITIES	9,581,797	2,453	9,584,250
NET ASSETS			
Invested in capital assets, net of related debt	3,711,281	15,168	3,726,449
Restricted for:			
Categorical funding	50,061	-	50,061
Debt service	350,572	-	350,572
Management levy purposes	39,447	-	39,447
Student activities	52,872	-	52,872
School infrastructure	675,540	-	675,540
Physical plant and equipment	250,630	-	250,630
Unrestricted	726,503	139,519	866,022
TOTAL NET ASSETS	\$ 5,856,906	154,687	6,011,593

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Operating Grants, Contributions		Governmental Activities	Business Type Activities	
		Charges for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,336,841	166,311	89,362	(2,081,168)	-	(2,081,168)
Special	525,265	85,479	66,957	(372,829)	-	(372,829)
Other	628,299	115,368	167,058	(345,873)	-	(345,873)
	<u>3,490,405</u>	<u>367,158</u>	<u>323,377</u>	<u>(2,799,870)</u>	<u>-</u>	<u>(2,799,870)</u>
Support services:						
Student	77,221	-	-	(77,221)	-	(77,221)
Instructional staff	184,707	-	-	(184,707)	-	(184,707)
Administration	576,584	-	-	(576,584)	-	(576,584)
Operation and maintenance of plant	405,624	-	-	(405,624)	-	(405,624)
Transportation	233,232	888	7,086	(225,258)	-	(225,258)
	<u>1,477,368</u>	<u>888</u>	<u>7,086</u>	<u>(1,469,394)</u>	<u>-</u>	<u>(1,469,394)</u>
Other expenditures:						
Long-term debt interest	217,115	-	-	(217,115)	-	(217,115)
AEA flowthrough	223,667	-	223,667	-	-	-
Depreciation(unallocated)*	80,032	-	-	(80,032)	-	(80,032)
	<u>520,814</u>	<u>-</u>	<u>223,667</u>	<u>(297,147)</u>	<u>-</u>	<u>(297,147)</u>
Total governmental activities	5,488,587	368,046	554,130	(4,566,411)	-	(4,566,411)
Business Type activities:						
Support services:						
Administration	7,217	-	-	-	(7,217)	(7,217)
	<u>7,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,217)</u>	<u>(7,217)</u>
Non-instructional programs:						
Nutrition	228,398	124,303	113,256	-	9,161	9,161
Latchkey operations	2,225	2,367	-	-	142	142
Total business type activities	<u>237,840</u>	<u>126,670</u>	<u>113,256</u>	<u>-</u>	<u>2,086</u>	<u>2,086</u>
Total	\$ 5,726,427	494,716	667,386	(4,566,411)	2,086	(4,564,325)
General Revenues:						
Local tax for:						
General purposes				\$ 1,565,349	-	1,565,349
Capital outlays				205,403	-	205,403
Debt service				168,982	-	168,982
Income surtax				190,462	-	190,462
Statewide sales, services and use tax				391,221	-	391,221
Unrestricted state grants				2,362,101	-	2,362,101
Nonspecific program federal grants				88,045	-	88,045
Unrestricted investment earnings				41,985	195	42,180
Other general revenues				88,302	8,162	96,464
Total general revenues				<u>5,101,850</u>	<u>8,357</u>	<u>5,110,207</u>
Changes in net assets				535,439	10,443	545,882
Net assets beginning of year				5,321,467	144,244	5,465,711
Net assets end of year				<u>\$ 5,856,906</u>	<u>154,687</u>	<u>6,011,593</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,119,084	3,971,514	517,357	5,607,955
Receivables:				
Property tax:				
Delinquent	22,238	2,988	3,008	28,234
Succeeding year	1,580,484	216,449	245,543	2,042,476
Income surtax	178,097	-	-	178,097
Interfund	-	27,694	-	27,694
Accounts	1,131	-	960	2,091
Due from other governments	80,705	64,881	-	145,586
TOTAL ASSETS	\$ 2,981,739	4,283,526	766,868	8,032,133
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 321,161	1,401,196	3,331	1,725,688
Salaries and benefits payable	165,351	-	-	165,351
Deferred revenue:				
Succeeding year property tax	1,580,484	216,449	245,543	2,042,476
Income surtax	178,097	-	-	178,097
Other	66,489	-	-	66,489
Total liabilities	2,311,582	1,617,645	248,874	4,178,101
Fund balances:				
Reserved for:				
Categorical funding	50,061	-	-	50,061
Debt service	-	-	350,572	350,572
Management levy purposes	-	-	130,117	130,117
Student activities	-	-	52,872	52,872
School infrastructure	-	675,540	-	675,540
Construction	-	1,739,711	-	1,739,711
Physical plant and equipment	-	250,630	-	250,630
Unassigned				
General fund	620,096	-	-	620,096
Student activities	-	-	(15,567)	(15,567)
Total fund balances	670,157	2,665,881	517,994	3,854,032
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,981,739	4,283,526	766,868	8,032,133

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$	3,854,032
 <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.		7,406,570
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		178,097
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(17,558)
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.		<u>(5,564,235)</u>
Net assets of governmental activities(page 18)	\$	<u><u>5,856,906</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,711,804	596,624	206,253	2,514,681
Tuition	234,584	-	-	234,584
Other	104,227	32,524	127,423	264,174
State sources	2,708,456	167	166	2,708,789
Federal sources	295,062	-	-	295,062
Total revenues	<u>5,054,133</u>	<u>629,315</u>	<u>333,842</u>	<u>6,017,290</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,228,755	-	66,683	2,295,438
Special	525,265	-	-	525,265
Other	472,324	-	155,233	627,557
	<u>3,226,344</u>	<u>-</u>	<u>221,916</u>	<u>3,448,260</u>
Support services:				
Student	76,994	-	-	76,994
Instructional staff	184,380	-	-	184,380
Administration	478,620	5,269	-	483,889
Operation and maintenance of plant	363,497	14,827	18,439	396,763
Transportation	186,009	79,958	3,652	269,619
	<u>1,289,500</u>	<u>100,054</u>	<u>22,091</u>	<u>1,411,645</u>
Other expenditures:				
Facilities acquisitions	-	3,922,744	-	3,922,744
Long-term debt:				
Principal	-	-	225,000	225,000
Interest	-	-	199,557	199,557
AEA flowthrough	223,667	-	-	223,667
	<u>223,667</u>	<u>3,922,744</u>	<u>424,557</u>	<u>4,570,968</u>
Total expenditures	<u>4,739,511</u>	<u>4,022,798</u>	<u>668,564</u>	<u>9,430,873</u>
Excess(Deficiency) of revenues over(under) expenditures	314,622	(3,393,483)	(334,722)	(3,413,583)
Other financing sources(uses):				
Proceeds for sale of equipment	19,203	-	-	19,203
Issuance of general obligation bonds	-	2,000,000	-	2,000,000
Issuance cost on general obligation bonds	-	(33,376)	-	(33,376)
Issuance of revenue bonds	-	3,660,000	-	3,660,000
Issuance cost on revenue bond issue	-	(16,238)	-	(16,238)
Discount on revenue bonds	-	(36,302)	-	(36,302)
Transfers in	-	-	611,016	611,016
Transfers out	(10,000)	(601,016)	-	(611,016)
Total other financing sources(uses)	<u>9,203</u>	<u>4,973,068</u>	<u>611,016</u>	<u>5,593,287</u>
Net change in fund balances	323,825	1,579,585	276,294	2,179,704
Fund balance beginning of year, as restated	346,332	1,086,296	241,700	1,674,328
Fund balance end of year	<u>\$ 670,157</u>	<u>2,665,881</u>	<u>517,994</u>	<u>3,854,032</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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 2,179,704

**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	\$ 4,000,247	
Depreciation expense	(138,693)	3,861,554

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Issued	(5,660,000)	
Repaid	225,000	(5,435,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due.

In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (17,558)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 6,736

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	(41,410)	
Other postemployment benefits	(18,587)	(59,997)

Changes in net assets of governmental activities(page 19) \$ 535,439

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Building Trades Class	Total
Assets			
Cash and pooled investments	\$ 91,785	70,808	162,593
Inventories	7,073	-	7,073
Capital assets, net of accumulated depreciation	15,168	-	15,168
Total assets	114,026	70,808	184,834
Liabilities			
Interfund payable	27,694	-	27,694
Accounts payable	17	-	17
Unearned revenue	2,436	-	2,436
Total liabilities	30,147	-	30,147
Net Assets			
Invested in capital assets	15,168	-	15,168
Unrestricted	68,711	70,808	139,519
Total net assets	\$ 83,879	70,808	154,687

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Latch Key	Building Trades Class	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 124,303	2,367	-	126,670
Other miscellaneous revenue	8,162	-	-	8,162
TOTAL OPERATING REVENUES	132,465	2,367	-	134,832
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	7,217	-	-	7,217
Non-instructional programs:				
Food service operations:				
Salaries	72,920	-	-	72,920
Benefits	10,485	-	-	10,485
Services	1,058	-	-	1,058
Supplies	134,549	-	-	134,549
Other	136	-	-	136
Depreciation	9,250	-	-	9,250
	228,398	-	-	228,398
Latchkey operations:				
Salaries	-	1,990	-	1,990
Benefits	-	235	-	235
	-	2,225	-	2,225
TOTAL OPERATING EXPENSES	235,615	2,225	-	237,840
OPERATING INCOME(LOSS)	(103,150)	142	-	(103,008)
NON-OPERATING REVENUES:				
State sources	2,113	-	-	2,113
Federal sources	111,143	-	-	111,143
Interest on investments	195	-	-	195
TOTAL NON-OPERATING REVENUES	113,451	-	-	113,451
Changes in net assets	10,301	142	-	10,443
Net assets beginning of year	73,578	(142)	70,808	144,244
Net assets end of year	\$ 83,879	-	70,808	154,687

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Latch Key	Building Trades Class	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 124,535	-	-	124,535
Cash received from miscellaneous	8,162	2,367	-	10,529
Cash payments to employees for services	(83,405)	(2,225)	-	(85,630)
Cash payments to suppliers for goods or services	(127,051)	(142)	-	(127,193)
Net cash used in operating activities	(77,759)	-	-	(77,759)
Cash flows from non-capital financing activities:				
State grants received	2,113	-	-	2,113
Federal grants received	96,105	-	-	96,105
Net cash provided by non-capital financing activities	98,218	-	-	98,218
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,589)	-	-	(2,589)
Cash flows from investing activities:				
Interest on investments	195	-	-	195
Net increase(decrease) in cash and cash equivalents	18,065	-	-	18,065
Cash and cash equivalents at beginning of year	73,720	-	70,808	144,528
Cash and cash equivalents at end of year	\$ 91,785	-	70,808	162,593
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (103,150)	142	-	(103,008)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	15,038	-	-	15,038
Depreciation	9,250	-	-	9,250
Decrease in inventories	854	-	-	854
(Decrease)Increase in accounts payable	17	(142)	-	(125)
Increase in unearned revenue	232	-	-	232
	\$ (77,759)	-	-	(77,759)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$15,038.

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 11,415	13,844
LIABILITIES		
Accounts payable	-	488
Due to other groups	-	13,356
	-	13,844
NET ASSETS		
Reserved for scholarships	& 11,415	-

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 494
Donations	500
TOTAL ADDITIONS	994
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	1,994
Changes in net assets	(1,000)
Net assets beginning of year	12,415
Net assets end of year	\$ 11,415

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(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 predominately 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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.

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other furniture 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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. During the year ended June 30, 2011, expenditures in the other expenditure functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 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, 2011, the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Activity Fund	General Fund	\$ 10,000
	Capital Projects:	
	Statewide sales, services	
Debt Service	and Use Tax	<u>601,016</u>
Total		<u>\$ 611,016</u>

The transfer from the General Fund to the Activity Fund was to help cover the cost of officials which are far greater than the \$10,000.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for the annual revenue bond payments and the revenue bond reserve.

(4) 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, 2012.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in progress	21,810	3,920,289	-	3,942,099
Total capital assets not being depreciated	<u>31,810</u>	<u>3,920,289</u>	<u>-</u>	<u>3,952,099</u>
Capital assets being depreciated:				
Buildings	6,327,226	-	-	6,327,226
Land improvements	337,820	-	-	337,820
Machinery and equipment	1,916,301	79,958	60,386	1,935,873
Total capital assets being depreciated	<u>8,581,347</u>	<u>79,958</u>	<u>60,386</u>	<u>8,600,919</u>
Less accumulated depreciation for:				
Buildings	3,010,617	80,032	-	3,090,649
Land improvements	262,210	4,679	-	266,889
Machinery and equipment	1,795,314	53,982	60,386	1,788,910
Total accumulated depreciation	<u>5,068,141</u>	<u>138,693</u>	<u>60,386</u>	<u>5,146,448</u>
Total capital assets being depreciated, net	<u>3,513,206</u>	<u>(58,735)</u>	<u>-</u>	<u>3,454,471</u>
Governmental activities capital assets, net	<u>\$ 3,545,016</u>	<u>3,861,554</u>	<u>-</u>	<u>7,406,570</u>
Business type activities:				
Machinery and equipment	\$ 102,689	2,589	2,777	102,501
Less accumulated depreciation	80,860	9,250	2,777	87,333
Business type activities capital assets, net	<u>\$ 21,829</u>	<u>(6,661)</u>	<u>-</u>	<u>15,168</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,931
Other	742
Support services:	
Administrative	4,339
Operation and maintenance of plant	7,078
Transportation	43,571
	<u>58,661</u>
Unallocated depreciation	<u>80,032</u>
Total governmental activities depreciation expense	<u>\$ 138,693</u>
Business type activities:	
Food services	<u>\$ 9,250</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance			Balance	Due
	Beginning	Additions	Deletions	End	Within
	of Year			of Year	One Year
General obligation bonds	\$ -	2,000,000	75,000	1,925,000	75,000
Revenue bonds	-	3,660,000	150,000	3,510,000	140,000
Early retirement	49,260	75,170	33,760	90,670	19,985
OPEB liability	19,978	18,587	-	38,565	-
Total	<u>\$ 69,238</u>	<u>5,753,757</u>	<u>258,760</u>	<u>5,564,235</u>	<u>234,985</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness is as follows:

Year	Issue Dated July 15, 2010				
	Ending	Interest	Principal	Total	
June 30,	Rates		Interest		
2012	1.40	% \$	75,000	70,343	145,343
2013	1.70		75,000	69,293	144,293
2014	2.00		75,000	74,018	149,018
2015	2.30		80,000	66,518	146,518
2016	2.70		80,000	64,678	144,678
2017-2021	3.00-3.75		450,000	284,686	734,686
2022-2026	3.90-4.30		550,000	193,975	743,975
2027-2030	4.40-4.70		540,000	63,780	603,780
Total			<u>\$ 1,925,000</u>	<u>887,291</u>	<u>2,812,291</u>

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Issue Dated July 15, 2010				
	Interest Rates	Principal	Interest	Total	
2012	3.40	% \$ 140,000	140,353	280,353	
2013	3.40	145,000	135,592	280,592	
2014	3.40	150,000	130,662	280,662	
2015	3.40	150,000	125,563	275,563	
2016	3.40	155,000	120,462	275,462	
2017-2021	3.00-3.75	875,000	517,423	1,392,423	
2022-2026	3.90-4.30	1,100,000	327,977	1,427,977	
2027-2030	4.40-4.70	795,000	74,004	869,004	
Total		\$ 3,510,000	1,572,036	5,082,036	

The District has pledged future statewide sales and services tax revenues to repay the \$3,660,000 of bonds issued in July 2010. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,082,036. For the current year, \$150,000 in principal and \$133,331 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$391,221.

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

\$292,880 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

The District is required to make monthly transfers to the sinking fund.

Early Retirement

The District offered early retirement during the year ended June 30, 2011. 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 \$33,760 in early retirement benefits during the year ended June 30, 2011. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	27,422
Interest on net OPEB obligation		499
Adjustment to annual required contribution		(2,121)
Annual OPEB cost		<u>25,800</u>
Contributions made		(7,213)
Increase in net OPEB obligation		<u>18,587</u>
Net OPEB obligation beginning of year		<u>19,978</u>
Net OPEB obligation end of year	\$	<u><u>38,565</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, 2011.

For the year ended June 30, 2011, the District contributed \$7,213 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 25,696	22.25%	\$ 19,978
2011	\$ (7,213)	38.81%	\$ 38,565

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, 2011, 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 \$1,448,809, and the ratio of the UAAL to covered payroll was 12.71%. As of June 30, 2011, 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.

(8) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$190,121, \$180,829, and \$173,769, respectively, equal to the required contributions for each year.

(9) 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, 2011 were \$183,993.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$223,667 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Over expenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amounts budgeted.

(12) Construction Commitments

The District has entered into construction contracts totaling \$5,690,802. The project included construction of an addition to the High School. As of June 30, 2011, \$3,942,099 had been incurred against the contracts. The balance remaining will be paid as work on the project progresses.

(13) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
Salary Improvement Program	\$ 25,010
Market Factor	3,667
Professional Development for Model Core Curriculum	9,157
Professional Development	11,319
Market factor incentives	908
Total	\$ 50,061

(14) Deficit Accounts

The District had two accounts in the Activity Fund with deficit balances totaling \$15,567 at June 30, 2011.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 895,516	190,780
Changes in fund type classification per implementation of GASB Statement No. 54	190,780	(190,780)
Balances June 1, 2010, as restated	\$ 1,086,296	-

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,013,439	135,027	3,148,466	3,202,834	3,202,834	(54,368)
State sources	2,708,789	2,113	2,710,902	2,967,171	2,967,171	(256,269)
Federal sources	295,062	111,143	406,205	318,000	318,000	88,205
Total revenues	<u>6,017,290</u>	<u>248,283</u>	<u>6,265,573</u>	<u>6,488,005</u>	<u>6,488,005</u>	<u>(222,432)</u>
Expenditures/expenses:						
Instruction	3,448,260	-	3,448,260	4,142,290	4,142,290	694,030
Support services	1,411,645	7,217	1,418,862	2,524,299	2,524,299	1,105,437
Non-instructional programs	-	230,623	230,623	339,994	339,994	109,371
Other expenditures	4,570,968	-	4,570,968	1,149,256	1,149,256	(3,421,712)
Total expenditures/expenses	<u>9,430,873</u>	<u>237,840</u>	<u>9,668,713</u>	<u>8,155,839</u>	<u>8,155,839</u>	<u>(1,512,874)</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(3,413,583)	10,443	(3,403,140)	(1,667,834)	(1,667,834)	(1,735,306)
Other financing sources, net	<u>5,593,287</u>	-	<u>5,593,287</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>3,593,287</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,179,704	10,443	2,190,147	332,166	332,166	1,857,981
Balance beginning of year	<u>1,674,328</u>	<u>144,244</u>	<u>1,818,572</u>	<u>1,667,834</u>	<u>1,667,834</u>	<u>150,738</u>
Balance end of year	<u>\$ 3,854,032</u>	<u>154,687</u>	<u>4,008,719</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,008,719</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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.

During the year ended June 30, 2011, expenditures in the other expenditure functional area exceeded the amount budgeted.

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%
2011	July 1, 2009	\$ -	\$ 184,109	\$ 184,109	0.0%	\$ 1,448,809	12.71%

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

OTHER SUPPLEMENTARY INFORMATION

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Total Special Revenue Funds		
ASSETS					
Cash and pooled investments	\$ 130,059	39,192	169,251	348,106	517,357
Receivables:					
Property tax:					
Delinquent	542	-	542	2,466	3,008
Succeeding year	100,000	-	100,000	145,543	245,543
Accounts	-	960	960	-	960
TOTAL ASSETS	\$ 230,601	40,152	270,753	496,115	766,868
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 484	2,847	3,331	-	3,331
Deferred revenue:					
Succeeding year property tax	100,000	-	100,000	145,543	245,543
Total liabilities	100,484	2,847	103,331	145,543	248,874
Fund balances:					
Restricted for:					
Debt service	-	-	-	350,572	350,572
Management levy purposes	130,117	-	130,117	-	130,117
Student activities	-	52,872	52,872	-	52,872
Unassigned	-	(15,567)	(15,567)	-	(15,567)
Total fund balances	130,117	37,305	167,422	350,572	517,994
TOTAL LIABILITIES AND FUND BALANCES	\$ 230,601	40,152	270,753	496,115	766,868

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, 2011

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds		
REVENUES:					
Local sources:					
Local tax	\$ 37,271	-	37,271	168,982	206,253
Other	6,896	115,532	122,428	4,995	127,423
State sources	30	-	30	136	166
TOTAL REVENUES	<u>44,197</u>	<u>115,532</u>	<u>159,729</u>	<u>174,113</u>	<u>333,842</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	66,683	-	66,683	-	66,683
Other	-	155,233	155,233	-	155,233
Support services:					
Operation and maintenance of plant	18,439	-	18,439	-	18,439
Transportation	3,652	-	3,652	-	3,652
Other expenditures:					
Long-term debt:					
Principal	-	-	-	225,000	225,000
Interest	-	-	-	199,557	199,557
Total expenditures	<u>88,774</u>	<u>155,233</u>	<u>244,007</u>	<u>424,557</u>	<u>668,564</u>
Deficiency of revenues under expenditures	(44,577)	(39,701)	(84,278)	(250,444)	(334,722)
Other financing sources:					
Transfers in	-	10,000	10,000	601,016	611,016
Net change in fund balance	(44,577)	(29,701)	(74,278)	350,572	276,294
Fund balance beginning of year, as restated	174,694	67,006	241,700	-	241,700
Fund balance end of year	<u>\$ 130,117</u>	<u>37,305</u>	<u>167,422</u>	<u>350,572</u>	<u>517,994</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNT
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Fund	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 3,463,683	260,189	247,642	3,971,514
Receivables:				
Property tax:				
Delinquent	-	-	2,988	2,988
Succeeding year	-	-	216,449	216,449
Interfund	27,694	-	-	27,694
Due from other governments	64,881	-	-	64,881
TOTAL ASSETS	\$ 3,556,258	260,189	467,079	4,283,526
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,141,007	260,189	-	1,401,196
Deferred revenue:				
Succeeding year property tax	-	-	216,449	216,449
Total liabilities	1,141,007	260,189	216,449	1,617,645
Fund balances:				
Restricted for:				
School infrastructure	675,540	-	-	675,540
Construction	1,739,711	-	-	1,739,711
Physical plant and equipment	-	-	250,630	250,630
Total fund balances	2,415,251	-	250,630	2,665,881
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,556,258	260,189	467,079	4,283,526

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUND
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Fund	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 391,221	-	205,403	596,624
Other	32,524	-	-	32,524
State sources	-	-	167	167
Total revenues	<u>423,745</u>	<u>-</u>	<u>205,570</u>	<u>629,315</u>
Expenditures:				
Current:				
Support services:				
Administration	-	5,269	-	5,269
Operation and maintenance of plant	-	-	14,827	14,827
Transportation	-	-	79,958	79,958
	<u>-</u>	<u>5,269</u>	<u>94,785</u>	<u>100,054</u>
Other expenditures:				
Facilities acquisitions	1,910,454	1,961,355	50,935	3,922,744
Total expenditures	<u>1,910,454</u>	<u>1,966,624</u>	<u>145,720</u>	<u>4,022,798</u>
Excess(deficiency)of revenues over(under) expenditures	(1,486,709)	(1,966,624)	59,850	(3,393,483)
Other financing sources(uses):				
Issuance of general obligation bonds	-	2,000,000	-	2,000,000
Issuance cost on general obligation bonds	-	(33,376)	-	(33,376)
Issuance of revenue bonds	3,660,000	-	-	3,660,000
Issuance cost on revenue bond issue	(16,238)	-	-	(16,238)
Discount on revenue bonds	(36,302)	-	-	(36,302)
Transfers out	(601,016)	-	-	(601,016)
Total other financing sources(uses)	<u>3,006,444</u>	<u>1,966,624</u>	<u>-</u>	<u>4,973,068</u>
Net change in fund balances	1,519,735	-	59,850	1,579,585
Fund balance beginning of year, as restated	895,516	-	190,780	1,086,296
Fund balance end of year	<u>\$ 2,415,251</u>	<u>-</u>	<u>250,630</u>	<u>2,665,881</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 6,530	36,667	26,991	16,206
Band - General	(111)	1,957	1,380	466
EWALU	-	50	25	25
Four Year Trip	27,337	23,385	47,572	3,150
General Student Projects	1,371	-	-	1,371
Materials for Resale - Supplies	823	10	-	833
Band/ Chorus Trip	1,200	557	1,352	405
Elementary School Projects	1,995	315	110	2,200
Secondary School Projects	530	135	559	106
Summer Recreation	4,391	6,088	5,635	4,844
High School Miscellaneous	(72)	145	73	-
Class of 2010	618	-	618	-
Class of 2011	549	916	600	865
Class of 2012	1,241	3,946	5,177	10
Class of 2013	3,294	-	-	3,294
Class of 2014	533	776	386	923
Class of 2015	883	831	437	1,277
Class of 2016	-	296	296	-
Student Senate	1,634	1,513	1,707	1,440
Pop Fund	2,498	6,276	8,098	676
Fitness Center	(304)	-	-	(304)
Watch the Stars	169	5,018	4,756	431
Yearbook	6,693	5,299	5,306	6,686
Dramatics	1,239	431	480	1,190
Cheerleaders	577	4,334	4,216	695
Honor Society	340	1,543	1,282	601
Athletic Resale	1,336	5,881	4,780	2,437
Athletic Fundraiser	(865)	18,999	33,397	(15,263)
DARE	355	-	-	355
Interest Revenue	2,222	164	-	2,386
Total	\$ 67,006	125,532	155,233	37,305

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash	\$ 17,449	27,078	30,683	13,844
LIABILITIES				
Accounts Payable	\$ -	488	-	488
Due to other groups	17,449	26,590	30,683	13,356
	\$ 17,449	27,078	30,683	13,844

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,514,681	2,312,825	2,178,358	2,070,441	1,886,312	1,394,604	1,299,427	1,365,621
Tuition	234,584	213,480	180,807	201,595	239,939	263,552	2,056,440	120,787
Other	264,174	207,735	225,187	264,417	296,698	835,888	699,027	715,021
State sources	2,708,789	2,186,555	2,203,139	2,372,824	2,370,841	2,296,218	2,154,412	1,860,819
Federal sources	295,062	509,846	231,019	154,596	171,291	139,492	174,619	98,709
Total	\$ 6,017,290	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	\$ 2,295,438	2,077,149	2,048,352	1,989,474	1,925,337	1,845,617	1,765,305	1,910,629
Special	525,265	673,534	623,383	448,878	291,846	331,681	424,909	430,792
Other	627,557	534,244	482,748	492,983	530,123	478,949	351,550	380,620
Support services:								
Student	76,994	97,849	133,320	109,809	85,424	85,233	122,143	115,367
Instructional staff	184,380	139,512	130,833	125,191	153,019	123,073	112,532	74,093
Administration	483,889	523,291	502,298	495,673	484,621	484,893	496,468	540,053
Operation and maintenance of plant	396,763	412,631	435,919	482,796	442,855	382,826	367,952	337,653
Transportation	269,619	187,550	223,431	197,528	182,233	176,020	133,758	133,933
Non-instructional programs	-	-	-	-	-	-	15,583	-
Other expenditures:								
Facilities acquisitions	3,922,744	76,705	18,180	4,453	40,749	-	8,572	8,750
Long-term debt:								
Principal	225,000	-	325,000	1,090,000	335,000	315,000	327,281	338,444
Interest	199,557	-	8,968	51,575	69,614	87,214	113,458	122,310
AEA flow-through	223,667	205,342	171,089	169,206	162,278	151,114	147,628	140,657
Refund of prior year tax	-	-	187,641	-	-	-	-	-
Total	\$ 9,430,873	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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2012. 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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be a material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-C-11 through I-H-11 to be significant deficiencies.

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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 6, 2012

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-11 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 - The District has reviewed its procedures and made some changes to try and compensate for the lack of segregation of duties. Office personnel/accounting supervisors are sharing bank deposit responsibilities. Additional journal entries and reviews for revenues/expenditures are now completed by Board members on a monthly.

Conclusion - Response accepted.

I-B-11 Vendor Listings - We noted during our audit that it was not uncommon for checks to be printed without a company's address. This indicates that the checks could not be mailed or needed to be provided to an individual to address an envelope or personally hand deliver the check.

Recommendation - The District should update its vendor files to include all company addresses. The lack of addresses in the account payable vendor file is a potential area of fraud. The vendor files should be complete and reviewed for PO Box addresses or no addresses. Better internal controls are achieved if approval is needed to add new vendors and the vendors checks are mailed rather than turned over to personnel to hand deliver.

Response - Vendor address list had been updated. All new entries will have complete address information included.

Conclusion - Response accepted.

I-C-11 Grant Coding - We noted during our audit that grant expenditures were mostly reclassified at year end with general journal entries. This makes it difficult to track and audit expenditures.

Recommendation - A better practice would be to code employees to the appropriate grant at the beginning of the year or code the paid bill to the appropriate expenditure account when it is paid.

Response - The Business Manager has coded employees to specific grants in the current fiscal year.

Conclusion - Response accepted.

I-D-11 Activity Fund Interest - We noted during our audit that the Student Activity Fund earned interest. However, this interest was not allocated out to the various accounts at least on an annual basis.

Recommendation- Interest in the Student Activity Fund should be allocated among the various accounts at least on an annual basis. The interest should be recognized by the individual clubs that earned the interest.

Response - Interest will be allocated in the future.

Conclusion - Response accepted.

I-E-11 Inventory Pricing - We noted during our audit that the commodities inventory in the Nutrition Fund was not priced using the Department of Education valuation report, therefore resulting in understated inventory.

Recommendation- The District should review its procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation and the prices should be used for commodity inventory.

Response - Food service director was informed of the error and will use the correct pricing in the future.

Conclusion - Response accepted.

I-F-11 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks. Wages received from officiating needs to be on the employee's W-2's and should be reported on the District's payroll reports.

Response - All non-certified coaches have been given time sheets to fill out and turn in at the end of the season.

Conclusion - Response accepted.

I-G-11 Payment without Support - We noted during our audit that a check was written to Hy-Vee for charges on the Hy-Vee credit card. There were no supporting receipts to support the charges on the credit card. The District's Board Policy 401.10 states that all credit card purchases must be accompanied by a detailed receipt of the purchase made.

Recommendation - The District should review its procedures to ensure that it is following its own policies regarding credit card purchases. The District should request and obtain documentation prior to making payment.

Response - All staff have been reminded that all credit card charges need to include detailed receipts for the purchase.

Conclusion - Response accepted.

I-H-11 Payroll Procedures - We noted during our audit that a teacher who worked as a line judge for the District was paid through accounts payable rather than payroll. Per IRS requirements

extra duties performed by employees should be treated as additional compensation and added to the employee's payroll.

Recommendation - The District should review its procedures to ensure that all extra duties are properly paid through payroll.

Response - Employees who officiate activity events submit payment requests to the Business Manager now for payment through payroll.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditure functional area.

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

Response - The construction project was not included in the budget. In the future the District will amend its budget before expenses are exceeded.

Conclusion - Response accepted.

II-B-11 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.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 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	\$ 876
James Stanton, Superintendent Brother owns Stanton Electric	Wiring for Construction	\$ 149,700

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

In accordance with the Attorney General's Opinion dated November 9, 1976, the above transactions with the Superintendent's brother do not appear to represent a conflict of interest.

II-E-11 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.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1 student.

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

Response - Our auditor will contact the Iowa Department of Education and the Department of Management to adjust our certified enrollment.

Conclusion - Response accepted.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 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.

II-J-11 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.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, following information includes the amounts the District reports for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$	895,516
Revenues:			
Sales tax revenues	\$	391,221	
Other local revenues		32,524	
Revenue bond issuance		3,660,000	
			<u>4,083,745</u>
			4,979,261
Expenditures/transfers out:			
School infrastructure Construction		1,910,454	
Other		52,540	
Transfers to other funds:			
Debt service fund		601,016	
			<u>2,564,010</u>
			<u>\$ 2,415,251</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 Financial Condition - The District had two accounts in the Activity Fund with negative balances totaling \$15,567 at June 30, 2011.

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

Response - The District has put into place additional procedures for approval of purchase orders in the Activity Fund to ensure that purchases cannot be made if the account does not have the funds for the purchase.

Conclusion - Response accepted.

- II-N-11 Authorized Check Signatures - We noted during the audit, that the Superintendent was signing checks in the Nutrition Fund, Activity Fund, and Agency Funds. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks issued. Pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. The Superintendent did not appear to have authorization to sign the checks.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - Signature procedures were reviewed at the November 14, 2011 board meeting. The Board President authorized the Superintendent to sign checks in his absence. The Board Secretary will sign all checks along with either the Board President or the Superintendent.

Conclusion - Response accepted.

- II-O-11 Extended Payroll Contracts - We noted that the Guidance Counselor received an extended contract that was not approved by the Board. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District including extended payroll contracts.

Recommendation - The District should review its procedures to ensure that any extended payroll contracts are properly approved and signed by the Board President.

Response - All employee contracts including any extended contracts will be presented to the board and signed by the Board President.

Conclusion - Response accepted.

- II-P-11 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2011, the Enterprise, School Nutrition Fund owes the Capital Projects: Statewide Sales, Services and Use Tax Fund \$27,694.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's yearend financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue external debt to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should repay the loan or comply with the declaratory ruling and issue external debt to repay the interfund loans.

Response - The Nutrition Fund will have the interfund loan repaid by June 30, 2012.

Conclusion - Response accepted.