

DUNKERTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Alen Nagel	President	2013
Tony Gamerdinger	Vice President	2013
Joe Stafford	Board Member	2011
Chris Gibson	Board Member	2011
Cindi Rigdon	Board Member	2013

(After September 2011 Election)

Alen Nagel	President	2013
Tony Gamerdinger	Vice President	2013
Cindi Rigdon	Board Member	2013
Jonathon Cox	Board Member	2015
Kirby Marquart	Board Member	2015

School Officials

Jim Stanton	Superintendent	2012
Amy Morley	District Secretary/ Treasurer	2012
Ahlers & Cooney P.C.	Attorney	2012

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, 2012, 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, 2012, 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 February 12, 2013 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 two years ended June 30, 2011 (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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 12, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,073,336 in fiscal 2011 to \$4,809,971 in fiscal 2012, while General Fund expenditures increased from \$4,749,511 in fiscal 2011 to \$4,780,008 in fiscal 2012. This District's General Fund balance increased from \$670,157 in fiscal 2011 to \$700,120 in fiscal 2012, a 4.47% increase over the prior year.
- The decrease in General Fund revenues was attributable to decreases in state revenue in fiscal 2012. 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.

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.

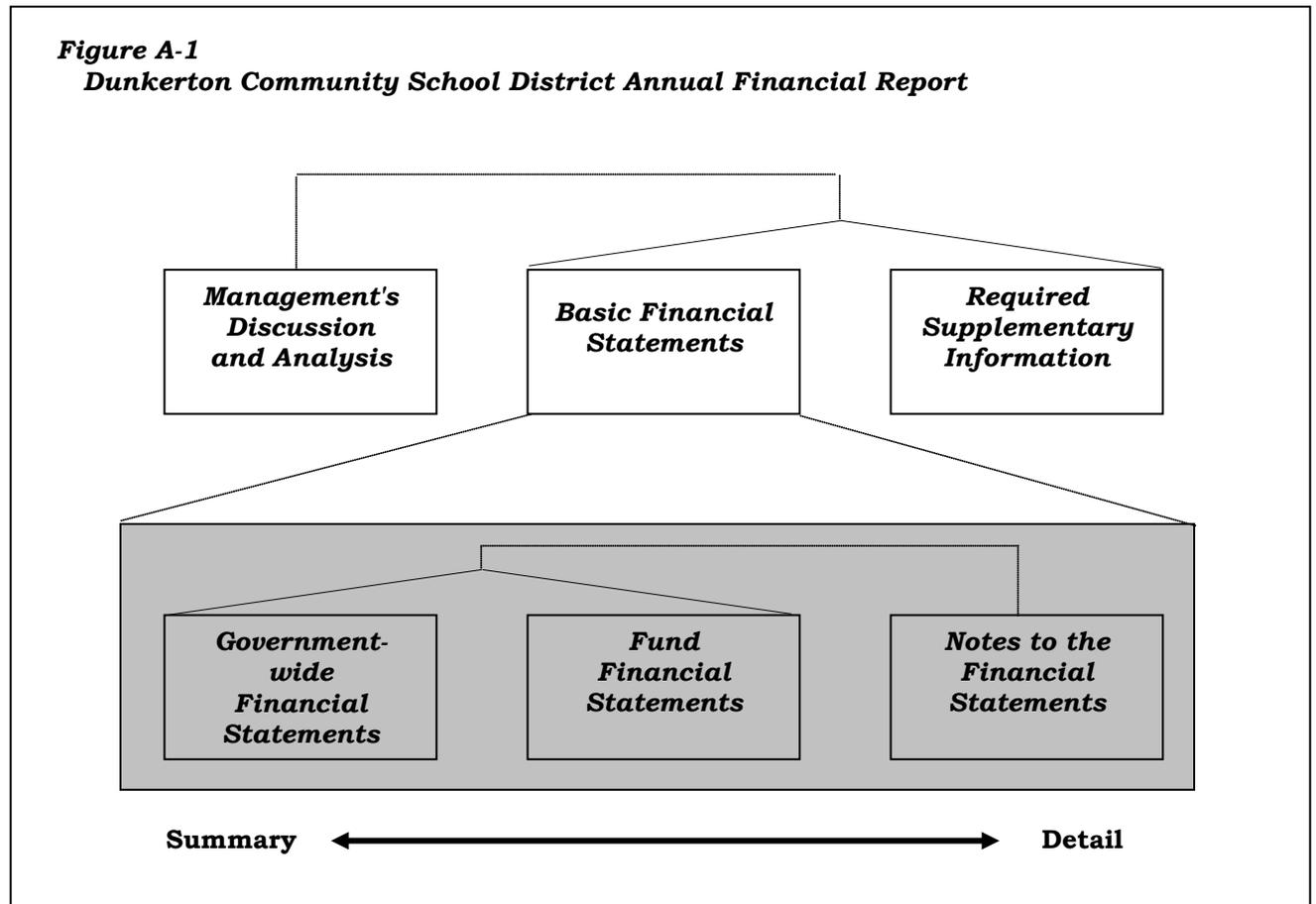


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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.

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, 2012 compared to June 30, 2011.

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
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 5,268,307	8,032,133	144,783	141,972	5,413,090	8,174,105	-33.78%
Capital assets	9,026,816	7,406,570	11,806	15,168	9,038,622	7,421,738	21.79%
Total assets	14,295,123	15,438,703	156,589	157,140	14,451,712	15,595,843	-7.34%
Long-term obligations	5,444,546	5,564,235	-	-	5,444,546	5,564,235	-2.15%
Other liabilities	2,736,441	4,017,562	2,686	2,453	2,739,127	4,020,015	-31.86%
Total liabilities	8,180,987	9,581,797	2,686	2,453	8,183,673	9,584,250	-14.61%
Net assets:							
Invested in capital assets, net of related debt	3,806,816	3,711,281	11,806	15,168	3,818,622	3,726,449	2.47%
Restricted	1,649,432	1,419,122	-	-	1,649,432	1,419,122	16.23%
Unrestricted	657,888	726,503	142,097	139,519	799,985	866,022	-7.63%
Total net assets	\$ 6,114,136	5,856,906	153,903	154,687	6,268,039	6,011,593	4.27%

The District's combined net assets increased by 4.27%, or \$256,446 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 \$230,310, or 16.23% over the prior year. The increase was primarily a result of the District increase in the amount restricted for Physical Plant and Equipment.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$66,037, or 7.63%. This decrease in unrestricted net assets was a result of the increase in early retirement benefits payable and the increasing net other post-employment benefits liability.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 326,409	368,046	128,055	126,670	454,464	494,716	-8.14%
Operating grants and contributions and restricted interest	545,454	554,130	107,245	113,256	652,699	667,386	-2.20%
General revenues:							
Property tax	2,044,786	1,939,734	-	-	2,044,786	1,939,734	5.42%
Income surtax	184,450	190,462	-	-	184,450	190,462	-3.16%
Statewide sales, services and use tax	403,589	391,221	-	-	403,589	391,221	3.16%
Unrestricted state grants	2,105,984	2,362,101	-	-	2,105,984	2,362,101	-10.84%
Nonspecific program federal grants	68,016	88,045	-	-	68,016	88,045	-22.75%
Other	141,855	130,287	46	8,357	141,901	138,644	2.35%
Total revenues	5,820,543	6,024,026	235,346	248,283	6,055,889	6,272,309	-3.45%
Program expenses:							
Governmental activities:							
Instruction	3,493,931	3,490,405	3,081	-	3,497,012	3,490,405	0.19%
Support services	1,394,018	1,477,368	1,788	7,217	1,395,806	1,484,585	-5.98%
Non-instructional programs	-	-	231,261	230,623	231,261	230,623	0.28%
Other expenses	675,364	520,814	-	-	675,364	520,814	29.67%
Total expenses	5,563,313	5,488,587	236,130	237,840	5,799,443	5,726,427	1.28%
Changes in net assets	257,230	535,439	(784)	10,443	256,446	545,882	-53.02%
Beginning net assets	5,856,906	5,321,467	154,687	144,244	6,011,593	5,465,711	9.99%
Ending net assets	\$ 6,114,136	5,856,906	153,903	154,687	6,268,039	6,011,593	4.27%

Property tax, income surtax, statewide sales, services and use tax, unrestricted state grants and nonspecific program federal grants account for 82.58% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for 99.98% of the revenue for the business type activities.

The District's total revenue was \$6,055,889, of which \$5,820,543 was for governmental activities and \$235,346 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 3.45% decrease in revenues and an increase of 1.28% in expenditures. Property tax increased by \$105,052 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 \$5,820,543 and expenses were \$5,563,313.

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
	2012	2011	2011-12	2012	2011	2011-12
Instruction	\$ 3,493,931	3,490,405	0.10%	2,833,696	2,799,870	1.21%
Support services	1,394,018	1,477,368	-5.64%	1,387,238	1,469,394	-5.59%
Other expenses	675,364	520,814	29.67%	470,516	297,147	58.34%
Totals	<u>\$ 5,563,313</u>	<u>5,488,587</u>	<u>1.36%</u>	<u>4,691,450</u>	<u>4,566,411</u>	<u>2.74%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$326,409.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$545,454.
- The net cost of governmental activities was financed with \$2,044,786 in property tax, \$184,450 in income surtax, \$403,589 in statewide sales, services and use tax, \$2,105,984 in unrestricted state grants, \$68,016 in nonspecific program federal grants, \$14,006 in interest income and \$127,849 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$235,346 and expenses were \$236,130. The District's business type activities include the School Nutrition 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 \$2,365,334, below last year's ending fund balances of \$3,854,032. The primary reason for the decrease in combined fund balances in fiscal 2012 is due to the decrease in the Capital Projects Fund balance due to construction.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$670,157 at June 30, 2011 to \$700,120 at June 30, 2012 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 District's Capital Projects Fund decreased from a balance of \$2,665,881 at June 30, 2011 to \$1,124,198 due to completion of the High School addition.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$83,879 at June 30, 2011 to \$86,176 at June 30, 2012, representing an increase of 2.74%. The Building Trades Class Fund net assets changed from \$70,808 at June 30, 2011 to \$67,727 at June 30, 2012.

BUDGETARY HIGHLIGHTS

The District's revenues were \$178,096 less than budgeted revenues, a variance of 2.86%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$9,038,622, 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 21.79% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$257,741.

The original cost of the District's capital assets was \$14,470,144. Governmental funds account for \$14,364,123 with the remainder of \$106,021 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,789,701 at June 30, 2012, compared to \$3,236,577 reported at June 30, 2011. This increase resulted from the various projects that were completed and transferred from construction in progress into the buildings.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Construction in progress	-	3,942,099	-	-	-	3,942,099	-100.00%
Buildings	8,789,701	3,236,577	-	-	8,789,701	3,236,577	171.57%
Land improvements	65,711	70,931	-	-	65,711	70,931	-7.36%
Machinery and equipment	161,404	146,963	11,806	15,168	173,210	162,131	6.83%
Total	\$ 9,026,816	7,406,570	11,806	15,168	9,038,622	7,421,738	21.79%

Long-Term Debt

At June 30, 2012, the District had \$5,444,546 in other long-term debt outstanding. This represents an decrease of 2.15% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$1,850,000 at June 30, 2012.

The District had total outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$3,370,000 at June 30, 2012.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$165,092 at June 30, 2012.

The District had a net OPEB liability payable of \$59,454 as of June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
General obligation bonds	\$ 1,850,000	1,925,000	-3.90%
Revenue bonds	3,370,000	3,510,000	-3.99%
Early retirement	165,092	90,670	82.08%
OPEB liability	59,454	38,565	54.17%
Total	\$ 5,444,546	5,564,235	-2.15%

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, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,780,984	140,299	2,921,283
Receivables:			
Property tax:			
Delinquent	25,047	-	25,047
Succeeding year	2,176,120	-	2,176,120
Income surtax	183,606	-	183,606
Accounts	3,413	-	3,413
Due from other governments	99,137	-	99,137
Inventories	-	4,484	4,484
Capital assets, net of accumulated depreciation	9,026,816	11,806	9,038,622
TOTAL ASSETS	14,295,123	156,589	14,451,712
LIABILITIES			
Accounts payable	165,816	-	165,816
Salaries and benefits payable	377,431	-	377,431
Interest payable	17,074	-	17,074
Deferred revenue:			
Succeeding year property tax	2,176,120	-	2,176,120
Unearned revenue	-	2,686	2,686
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	75,000	-	75,000
Revenue bonds payable	145,000	-	145,000
Early retirement payable	74,768	-	74,768
Portion due after one year:			
General obligation bonds payable	1,775,000	-	1,775,000
Revenue bonds payable	3,225,000	-	3,225,000
Early retirement payable	90,324	-	90,324
Net OPEB liability	59,454	-	59,454
TOTAL LIABILITIES	8,180,987	2,686	8,183,673
NET ASSETS			
Invested in capital assets, net of related debt	3,806,816	11,806	3,818,622
Restricted for:			
Categorical funding	127,941	-	127,941
Debt service	354,453	-	354,453
Student activities	42,840	-	42,840
School infrastructure	698,258	-	698,258
Physical plant and equipment	425,940	-	425,940
Unrestricted	657,888	142,097	799,985
TOTAL NET ASSETS	\$ 6,114,136	153,903	6,268,039

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,210,697	154,195	88,069	(1,968,433)	-	(1,968,433)
Special	657,536	48,628	69,758	(539,150)	-	(539,150)
Other	625,698	120,336	179,249	(326,113)	-	(326,113)
	<u>3,493,931</u>	<u>323,159</u>	<u>337,076</u>	<u>(2,833,696)</u>	<u>-</u>	<u>(2,833,696)</u>
Support services:						
Student	80,132	-	-	(80,132)	-	(80,132)
Instructional staff	145,985	-	-	(145,985)	-	(145,985)
Administration	537,783	-	-	(537,783)	-	(537,783)
Operation and maintenance of plant	414,196	-	-	(414,196)	-	(414,196)
Transportation	215,922	3,250	3,530	(209,142)	-	(209,142)
	<u>1,394,018</u>	<u>3,250</u>	<u>3,530</u>	<u>(1,387,238)</u>	<u>-</u>	<u>(1,387,238)</u>
Capital outlay	56,125	-	-	(56,125)	-	(56,125)
Long-term debt interest	211,211	-	-	(211,211)	-	(211,211)
Other expenditures:						
AEA flowthrough	204,848	-	204,848	-	-	-
Depreciation(unallocated)*	203,180	-	-	(203,180)	-	(203,180)
	<u>675,364</u>	<u>-</u>	<u>204,848</u>	<u>(470,516)</u>	<u>-</u>	<u>(470,516)</u>
Total governmental activities	5,563,313	326,409	545,454	(4,691,450)	-	(4,691,450)
Business Type activities:						
Instruction:						
Regular	3,081	-	-	-	(3,081)	(3,081)
Support services:						
Operation and maintenance of plant	1,788	-	-	-	(1,788)	(1,788)
	<u>4,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,869)</u>	<u>(4,869)</u>
Non-instructional programs:						
Nutrition	231,261	128,055	107,245	-	4,039	4,039
Total business type activities	<u>236,130</u>	<u>128,055</u>	<u>107,245</u>	<u>-</u>	<u>(830)</u>	<u>(830)</u>
Total	\$ 5,799,443	454,464	652,699	(4,691,450)	(830)	(4,692,280)
General Revenues:						
Local tax for:						
General purposes				\$ 1,682,367	-	1,682,367
Capital outlays				216,708	-	216,708
Debt service				145,711	-	145,711
Income surtax				184,450	-	184,450
Statewide sales, services and use tax				403,589	-	403,589
Unrestricted state grants				2,105,984	-	2,105,984
Nonspecific program federal grants				68,016	-	68,016
Unrestricted investment earnings				14,006	46	14,052
Other general revenues				127,849	-	127,849
Total general revenues				<u>4,948,680</u>	<u>46</u>	<u>4,948,726</u>
Changes in net assets				257,230	(784)	256,446
Net assets beginning of year				<u>5,856,906</u>	<u>154,687</u>	<u>6,011,593</u>
Net assets end of year				<u>\$ 6,114,136</u>	<u>153,903</u>	<u>6,268,039</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, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,185,170	1,057,142	538,672	2,780,984
Receivables:				
Property tax:				
Delinquent	20,852	2,875	1,320	25,047
Succeeding year	1,660,719	230,858	284,543	2,176,120
Income surtax	183,606	-	-	183,606
Accounts	1,480	-	1,933	3,413
Due from other governments	34,956	64,181	-	99,137
Total assets	\$ 3,086,783	1,355,056	826,468	5,268,307
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 164,907	-	909	165,816
Salaries and benefits payable	377,431	-	-	377,431
Deferred revenue:				
Succeeding year property tax	1,660,719	230,858	284,543	2,176,120
Income surtax	183,606	-	-	183,606
Total liabilities	2,386,663	230,858	285,452	2,902,973
Fund balances:				
Reserved for:				
Categorical funding	127,941	-	-	127,941
Debt service	-	-	354,453	354,453
Management levy purposes	-	-	149,353	149,353
Student activities	-	-	42,840	42,840
School infrastructure	-	698,258	-	698,258
Physical plant and equipment	-	425,940	-	425,940
Unassigned				
General fund	572,179	-	-	572,179
Student activities	-	-	(5,630)	(5,630)
Total fund balances	700,120	1,124,198	541,016	2,365,334
Total liabilities and fund balances	\$ 3,086,783	1,355,056	826,468	5,268,307

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	2,365,334
 <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.		9,026,816
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		183,606
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.		(17,074)
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>(5,444,546)</u>
Net assets of governmental activities(page 18)	\$	<u><u>6,114,136</u></u>

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,761,193	620,297	245,826	2,627,316
Tuition	183,728	0	0	183,728
Other	146,596	9,753	128,909	285,258
State sources	2,427,145	131	148	2,427,424
Federal sources	291,309	0	0	291,309
Total revenues	<u>4,809,971</u>	<u>630,181</u>	<u>374,883</u>	<u>5,815,035</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,131,022	0	28,079	2,159,101
Special	657,536	0	0	657,536
Other	504,506	0	120,451	624,957
	<u>3,293,064</u>	<u>0</u>	<u>148,530</u>	<u>3,441,594</u>
Support services:				
Student	79,877	0	0	79,877
Instructional staff	126,188	19,430	0	145,618
Administration	495,954	0	0	495,954
Operation and maintenance of plant	360,118	6,450	53,803	420,371
Transportation	219,959	0	3,706	223,665
	<u>1,282,096</u>	<u>25,880</u>	<u>57,509</u>	<u>1,365,485</u>
Capital outlay	0	1,865,111	0	1,865,111
Long-term debt:				
Principal	0	0	215,000	215,000
Interest and fiscal charges	0	0	211,695	211,695
	<u>0</u>	<u>0</u>	<u>426,695</u>	<u>426,695</u>
Other expenditures:				
AEA flowthrough	204,848	0	0	204,848
Total expenditures	<u>4,780,008</u>	<u>1,890,991</u>	<u>632,734</u>	<u>7,303,733</u>
Excess(Deficiency) of revenues over(under) expenditures	29,963	(1,260,810)	(257,851)	(1,488,698)
Other financing sources(uses):				
Transfer in	0	0	280,873	280,873
Transfer out	0	(280,873)	0	(280,873)
Total other financing sources(uses)	<u>0</u>	<u>(280,873)</u>	<u>280,873</u>	<u>0</u>
Net change in fund balances	29,963	(1,541,683)	23,022	(1,488,698)
Fund balance beginning of year	670,157	2,665,881	517,994	3,854,032
Fund balance end of year	<u>\$ 700,120</u>	<u>1,124,198</u>	<u>541,016</u>	<u>2,365,334</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, 2012

Net change in fund balances - total governmental funds(page 22) \$ (1,488,698)

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

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

Capital outlays	\$ 1,871,105	
Depreciation expense	(250,859)	1,620,246

Repayment of long-term liabilities is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 215,000

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. 484

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 5,509

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	(74,422)	
Other postemployment benefits	(20,889)	(95,311)

Changes in net assets of governmental activities(page 19) \$ 257,230

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	School Nutrition	Building Trades Class	Total
Assets			
Cash and pooled investments	\$ 72,572	67,727	140,299
Inventories	4,484	-	4,484
Capital assets, net of accumulated depreciation	11,806	-	11,806
Total assets	88,862	67,727	156,589
Liabilities			
Unearned revenue	2,686	-	2,686
Net Assets			
Invested in capital assets	11,806	-	11,806
Unrestricted	74,370	67,727	142,097
Total net assets	\$ 86,176	67,727	153,903

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Building Trades Class	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 127,190	-	127,190
Other miscellaneous revenue	865	-	865
TOTAL OPERATING REVENUES	128,055	-	128,055
OPERATING EXPENSES:			
Instruction:			
Supplies	-	3,081	3,081
Support services:			
Operation and maintenance of plant:			
Services	1,788	-	1,788
Non-instructional programs:			
Food service operations:			
Salaries	73,197	-	73,197
Benefits	11,130	-	11,130
Services	952	-	952
Supplies	138,924	-	138,924
Other	176	-	176
Depreciation	6,882	-	6,882
	231,261	-	231,261
TOTAL OPERATING EXPENSES	233,049	3,081	236,130
OPERATING LOSS	(104,994)	(3,081)	(108,075)
NON-OPERATING REVENUES:			
State sources	2,269	-	2,269
Federal sources	104,976	-	104,976
Interest on investments	46	-	46
TOTAL NON-OPERATING REVENUES	107,291	-	107,291
Changes in net assets	2,297	(3,081)	(784)
Net assets beginning of year	83,879	70,808	154,687
Net assets end of year	\$ 86,176	67,727	153,903

SEE NOTES TO FINANCIAL STATEMENTS

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Building Trades Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 127,440	-	127,440
Cash received from miscellaneous	865	-	865
Cash payments to employees for services	(84,327)	-	(84,327)
Cash payments to suppliers for goods or services	(127,919)	(3,081)	(131,000)
Net cash used in operating activities	<u>(83,941)</u>	<u>(3,081)</u>	<u>(87,022)</u>
Cash flows from non-capital financing activities:			
Interfund loan repayments	(27,694)	-	(27,694)
State grants received	2,269	-	2,269
Federal grants received	93,627	-	93,627
Net cash provided by non-capital financing activities	<u>68,202</u>	<u>-</u>	<u>68,202</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(3,520)	-	(3,520)
Cash flows from investing activities:			
Interest on investments	46	-	46
Net decrease in cash and cash equivalents	(19,213)	(3,081)	(22,294)
Cash and cash equivalents at beginning of year	91,785	70,808	162,593
Cash and cash equivalents at end of year	<u>\$ 72,572</u>	<u>67,727</u>	<u>140,299</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (104,994)	(3,081)	(108,075)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	11,349	-	11,349
Depreciation	6,882	-	6,882
Decrease in inventories	2,589	-	2,589
Decrease in accounts payable	(17)	-	(17)
Increase in unearned revenue	250	-	250
	<u>\$ (83,941)</u>	<u>(3,081)</u>	<u>(87,022)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$11,349.

SEE NOTES TO FINANCIAL STATEMENT

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 11,566
LIABILITIES	<u>-</u>
NET ASSETS	
Restricted for scholarships	<u>\$ 11,566</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Interest income	\$ 1,495
Donations	650
TOTAL ADDITIONS	2,145
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	1,994
Changes in net assets	151
Net assets beginning of year	11,415
Net assets end of year	\$ 11,566

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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 accounts are used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds

The District's proprietary funds are the Enterprise, School Nutrition 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.

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, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012, the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide sales, services and use tax	<u>\$ 280,873</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 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	3,942,099	1,759,971	5,702,070	-
Total capital assets not being depreciated	<u>3,952,099</u>	<u>1,759,971</u>	<u>5,702,070</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	6,327,226	5,751,085	-	12,078,311
Land improvements	337,820	-	-	337,820
Machinery and equipment	1,935,873	62,119	60,000	1,937,992
Total capital assets being depreciated	<u>8,600,919</u>	<u>5,813,204</u>	<u>60,000</u>	<u>14,354,123</u>
Less accumulated depreciation for:				
Buildings	3,090,649	197,961	-	3,288,610
Land improvements	266,889	5,220	-	272,109
Machinery and equipment	1,788,910	47,678	60,000	1,776,588
Total accumulated depreciation	<u>5,146,448</u>	<u>250,859</u>	<u>60,000</u>	<u>5,337,307</u>
Total capital assets being depreciated, net	<u>3,454,471</u>	<u>5,562,345</u>	<u>5,702,070</u>	<u>9,016,816</u>
Governmental activities capital assets, net	<u>\$ 7,406,570</u>	<u>7,322,316</u>	<u>11,404,140</u>	<u>9,026,816</u>
Business type activities:				
Machinery and equipment	\$ 102,501	3,520	-	106,021
Less accumulated depreciation	87,333	6,882	-	94,215
Business type activities capital assets, net	<u>\$ 15,168</u>	<u>(3,362)</u>	<u>-</u>	<u>11,806</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,110
Other		741
Support services:		
Administrative		5,690
Operation and maintenance of plant		4,377
Transportation		35,761
		<u>47,679</u>
Unallocated depreciation		<u>203,180</u>
Total governmental activities depreciation expense		<u>\$ 250,859</u>
Business type activities:		
Food services		<u>\$ 6,882</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,925,000	-	75,000	1,850,000	75,000
Revenue bonds	3,510,000	-	140,000	3,370,000	145,000
Early retirement	90,670	94,407	19,985	165,092	74,768
OPEB liability	38,565	20,889	-	59,454	-
Total	\$ 5,564,235	115,296	234,985	5,444,546	294,768

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Issue Dated July 15, 2010			
	Interest Rates	Principal	Interest	Total
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		\$ 1,850,000	816,948	2,666,948

Revenue Bonds

Details of the District's June 30, 2012 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
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		\$ 3,370,000	1,431,683	4,801,683

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 \$4,801,683. For the current year, \$140,000 in principal and \$140,352 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$403,589.

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, 2012. 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 \$19,985 in early retirement benefits during the year ended June 30, 2012. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Other Postemployment Benefits (OPEB)

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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 29,259
Interest on net OPEB obligation	964
Adjustment to annual required contribution	(2,121)
Annual OPEB cost	<u>28,102</u>
Contributions made	(7,213)
Increase in net OPEB obligation	<u>20,889</u>
Net OPEB obligation beginning of year	<u>38,565</u>
Net OPEB obligation end of year	<u>\$ 59,454</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, 2012.

For the year ended June 30, 2012, 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, 2012 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	\$ 25,800	27.96%	\$ 38,565
2012	\$ 28,102	25.67%	\$ 59,454

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$1,859,732, and the ratio of the UAAL to covered payroll was 9.9%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$206,843, \$190,121, and \$180,829, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization.

Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2012 were \$372,084.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$204,848 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2012 are as follows:

Project	Amount
Salary Improvement Program	\$ 24,754
Market Factor	3,667
Professional Development for Model Core Curriculum	5,614
Professional Development	17,038
LEP Weighting	1,294
At-Risk Supplemental Weighting	14,372
Gifted and Talented	12,680
Dropout and Dropout Prevention	31,568
Beginning Teacher Mentoring	1,693
Statewide Voluntary Preschool	14,353
Market factor incentives	908
Total	<u>\$ 127,941</u>

(11) Deficit Accounts

The District had three accounts in the Activity Fund with deficit balances totaling \$5,630 at June 30, 2012.

Dunkerton
Community School District

REQUIRED SUPPLEMENTARY INFORMATION

DUNKERTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,096,302	128,101	3,224,403	3,204,673	3,204,673	19,730
State sources	2,427,424	2,269	2,429,693	2,828,804	2,828,804	(399,111)
Federal sources	291,309	104,976	396,285	195,000	195,000	201,285
Total revenues	5,815,035	235,346	6,050,381	6,228,477	6,228,477	(178,096)
Expenditures/expenses:						
Instruction	3,441,594	3,081	3,444,675	3,980,000	3,980,000	535,325
Support services	1,365,485	1,788	1,367,273	1,717,600	1,717,600	350,327
Non-instructional programs	-	231,261	231,261	250,000	250,000	18,739
Other expenditures	2,496,654	-	2,496,654	4,290,877	4,290,877	1,794,223
Total expenditures/expenses	7,303,733	236,130	7,539,863	10,238,477	10,238,477	2,698,614
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,488,698)	(784)	(1,489,482)	(4,010,000)	(4,010,000)	2,520,518
Other financing sources, net	-	-	-	280,353	280,353	(280,353)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,488,698)	(784)	(1,489,482)	(3,729,647)	(3,729,647)	2,240,165
Balance beginning of year	3,854,032	154,687	4,008,719	5,837,977	5,837,977	(1,829,258)
Balance end of year	\$ 2,365,334	153,903	2,519,237	2,108,330	2,108,330	410,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL 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%
2012	July 1, 2009	\$ -	\$ 184,109	\$ 184,109	0.0%	\$ 1,859,732	9.90%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total Nonmajor
Assets					
Cash and pooled investments	\$ 148,522	37,630	186,152	352,520	538,672
Receivables:					
Property tax:					
Delinquent	1,320	-	1,320	-	1,320
Succeeding year	140,000	-	140,000	144,543	284,543
Accounts	-	-	-	1,933	1,933
Total assets	<u>\$ 289,842</u>	<u>37,630</u>	<u>327,472</u>	<u>498,996</u>	<u>826,468</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 489	420	909	-	909
Deferred revenue:					
Succeeding year property tax	140,000	-	140,000	144,543	284,543
Total liabilities	<u>140,489</u>	<u>420</u>	<u>140,909</u>	<u>144,543</u>	<u>285,452</u>
Fund Balances:					
Restricted for:					
Debt Service	-	-	-	354,453	354,453
Management levy purposes	149,353	-	149,353	-	149,353
Student activities	-	42,840	42,840	-	42,840
Unassigned	-	(5,630)	(5,630)	-	(5,630)
Total fund balances	<u>149,353</u>	<u>37,210</u>	<u>186,563</u>	<u>354,453</u>	<u>541,016</u>
Total liabilities and fund balances	<u>\$ 289,842</u>	<u>37,630</u>	<u>327,472</u>	<u>498,996</u>	<u>826,468</u>

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, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 100,115	-	100,115	145,711	245,826
Other	4,649	120,356	125,005	3,904	128,909
State sources	60	-	60	88	148
Total revenues	<u>104,824</u>	<u>120,356</u>	<u>225,180</u>	<u>149,703</u>	<u>374,883</u>
Expenditures:					
Current:					
Instruction:					
Regular	28,079	-	28,079	-	28,079
Other	-	120,451	120,451	-	120,451
Support services:					
Operation and maintenance of plant	53,803	-	53,803	-	53,803
Transportation	3,706	-	3,706	-	3,706
Long-term debt:					
Principal	-	-	-	215,000	215,000
Interest and fiscal charges	-	-	-	211,695	211,695
Total expenditures	<u>85,588</u>	<u>120,451</u>	<u>206,039</u>	<u>426,695</u>	<u>632,734</u>
Excess(deficiency) of revenues over(under) expenditures	19,236	(95)	19,141	(276,992)	(257,851)
Other financing sources:					
Transfers in	-	-	-	280,873	280,873
Excess(deficiency) of revenues and other financing sources over(under) expenditures	19,236	(95)	19,141	3,881	23,022
Fund balances beginning of year	<u>130,117</u>	<u>37,305</u>	<u>167,422</u>	<u>350,572</u>	<u>517,994</u>
Fund balances end of year	<u>\$ 149,353</u>	<u>37,210</u>	<u>186,563</u>	<u>354,453</u>	<u>541,016</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNT
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 634,077	423,065	1,057,142
Receivables:			
Property tax:			
Delinquent	-	2,875	2,875
Succeeding year	-	230,858	230,858
Due from other governments	64,181	-	64,181
TOTAL ASSETS	\$ 698,258	656,798	1,355,056
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	230,858	230,858
Total liabilities	-	230,858	230,858
Fund balances:			
Restricted for:			
School infrastructure	698,258	-	698,258
Physical plant and equipment	-	425,940	425,940
Total fund balances	698,258	425,940	1,124,198
TOTAL LIABILITIES AND FUND BALANCES	\$ 698,258	656,798	1,355,056

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 403,589	216,708	620,297
Other	9,753	-	9,753
State sources	-	131	131
Total revenues	<u>413,342</u>	<u>216,839</u>	<u>630,181</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	19,430	19,430
Operation and maintenance of plant	-	6,450	6,450
	<u>-</u>	<u>25,880</u>	<u>25,880</u>
Capital outlay	1,849,462	15,649	1,865,111
Total expenditures	<u>1,849,462</u>	<u>41,529</u>	<u>1,890,991</u>
Excess(Deficiency)of revenues over(under) expenditures	(1,436,120)	175,310	(1,260,810)
Other financing uses:			
Transfers out	(280,873)	-	(280,873)
Net change in fund balances	(1,716,993)	175,310	(1,541,683)
Fund balance beginning of year	2,415,251	250,630	2,665,881
Fund balance end of year	<u>\$ 698,258</u>	<u>425,940</u>	<u>1,124,198</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 16,206	45,113	50,191	11,128
Band - General	466	3,692	2,965	1,193
EWALU	25	-	25	-
Four Year Trip	3,150	694	3,414	430
General Student Projects	1,371	-	-	1,371
Materials for Resale - Supplies	833	-	699	134
Band/ Chorus Trip	405	-	405	-
Elementary School Projects	2,200	-	-	2,200
Secondary School Projects	106	-	115	(9)
Summer Recreation	4,844	5,845	5,345	5,344
Class of 2011	865	-	31	834
Class of 2012	10	884	130	764
Class of 2013	3,294	3,639	7,142	(209)
Class of 2014	923	50	-	973
Class of 2015	1,277	801	438	1,640
Class of 2016	-	801	438	363
Class of 2017	-	1,677	438	1,239
Student Senate	1,440	2,569	1,562	2,447
Pop Fund	676	3,851	3,503	1,024
Fitness Center	(304)	304	-	-
Watch the Stars	431	4,759	4,674	516
Yearbook	6,686	4,953	6,000	5,639
Dramatics	1,190	348	470	1,068
Cheerleaders	695	6,074	5,553	1,216
Honor Society	601	1,318	1,085	834
Athletic Resale	2,437	1,737	4,098	76
Athletic Fundraiser	(15,263)	31,226	21,375	(5,412)
DARE	355	-	355	-
Interest Revenue	2,386	21	-	2,407
Total	\$ 37,305	120,356	120,451	37,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash	\$ 13,844	22,798	36,642	-
LIABILITIES				
Accounts Payable	\$ 488	-	488	-
Due to other groups	13,356	22,798	36,154	-
	\$ 13,844	22,798	36,642	-

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,627,316	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	183,728	234,584	213,480	180,807	201,595	239,939	263,552	2,056,440	120,787
Other	285,258	264,174	207,735	225,187	264,417	296,698	835,888	699,027	715,021
State sources	2,427,424	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	291,309	295,062	509,846	231,019	154,596	171,291	139,492	174,619	98,709
Total	<u>\$ 5,815,035</u>	<u>6,017,290</u>	<u>5,430,441</u>	<u>5,018,510</u>	<u>5,063,873</u>	<u>4,965,081</u>	<u>4,929,754</u>	<u>6,383,925</u>	<u>4,160,957</u>
Expenditures:									
Instruction:									
Regular	\$ 2,159,101	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	657,536	525,265	673,534	623,383	448,878	291,846	331,681	424,909	430,792
Other	624,957	627,557	534,244	482,748	492,983	530,123	478,949	351,550	380,620
Support services:									
Student	79,877	76,994	97,849	133,320	109,809	85,424	85,233	122,143	115,367
Instructional staff	145,618	184,380	139,512	130,833	125,191	153,019	123,073	112,532	74,093
Administration	495,954	483,889	523,291	502,298	495,673	484,621	484,893	496,468	540,053
Operation and maintenance of plant	420,371	396,763	412,631	435,919	482,796	442,855	382,826	367,952	337,653
Transportation	223,665	269,619	187,550	223,431	197,528	182,233	176,020	133,758	133,933
Non-instructional programs	-	-	-	-	-	-	-	15,583	-
Capital outlay	1,865,111	3,922,744	76,705	18,180	4,453	40,749	-	8,572	8,750
Long-term debt:									
Principal	215,000	225,000	-	325,000	1,090,000	335,000	315,000	327,281	338,444
Interest	211,695	199,557	-	8,968	51,575	69,614	87,214	113,458	122,310
Other expenditures:									
AEA flow-through	204,848	223,667	205,342	171,089	169,206	162,278	151,114	147,628	140,657
Refund of prior year tax	-	-	-	187,641	-	-	-	-	-
Total	<u>\$ 7,303,733</u>	<u>9,430,873</u>	<u>4,927,807</u>	<u>5,291,162</u>	<u>5,657,566</u>	<u>4,703,099</u>	<u>4,461,620</u>	<u>4,387,139</u>	<u>4,533,301</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2013. 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 item I-A-12 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-B-12 through I-G-12 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, 2012 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. 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.

February 12, 2013

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-12 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. Also, payroll and disbursements are recorded and checks are prepared 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-12 Pre-numbered Tickets - We noted that the District does not pre-number tickets for most events, currently only district or regional events. Better internal controls are achieved if a district sells pre-numbered tickets and then subsequently reconciles the tickets sold to the money collected.

Recommendation - The District should have internal control procedures established for handling cash for all activity events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.

- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number multiplied by the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any, should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Superintendent/Business Mgr. followed recommendation and have discussed new procedures with Activity Director. Pre-numbered tickets/supplies have been ordered for upcoming Spring/Summer home events and instructions for proper ticket sales/records will be drafted and used by assigned ticket takers for all home events.

Conclusion - Response accepted.

I-C-12 Time Sheets - We noted that time records for several non-certified coaches are not maintained as required by the Department of Labor in regards to tracking hours worked.

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.

Response - District has followed recommendation and timesheets are issued to all non-certified coaches/advisors at the beginning of every season. They have been told to complete timesheets on a regular basis and turn them in to Business Office at the end of their season events. Records are kept in separate Non-Certified Coaching Timesheet file.

Conclusion - Response accepted

I-D-12 Medicaid Grant Coding - We noted the District is filing for Medicaid reimbursement as part of a federal grant. The monthly filing is completed and the revenue is recorded. It is noted the district does not have any costs coded in the general ledger as Medicaid costs. The district has subsequently identified the personnel who are included in the monthly billing and adjusting entries have been made to reclassify expenses to the Medicaid expense accounts. The questioned amount is \$43,820.62.

Recommendation - The District should code the payroll expense directly to the Medicaid expense accounts as the payments are made rather than reclassifying expenses at year end.

Response - All appropriate employee payroll wages are currently coded directly to the appropriate Medicaid expense accounts and will be handled this way for all future payroll periods.

Conclusion - Response accepted.

- I-E-12 Grant Coding - We noted the District has several grants (Headstart/ drop out/ at risk/ Title VIA) that do not code expenses to these grants. The District then made subsequent journal entries to reclassify expenses to these grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation- The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - All current grant application expenses have been coded to appropriate payroll wage accounts or expense accounts as recommended. Administrators have been sending accounting dept. regular updates for adjustments made throughout the year.

Conclusion - Response accepted.

- I-F-12 Fundraisers - During our audit we noted the District appears to maintain numerous fundraisers which result in Sponsors collecting money from individual students. The Sponsors do not appear to be prepared for collecting and issuing receipts to individual students when they collect money.

Recommendation - The District should consider requiring students to turn money directly into the office and a receipt would be issued. Or alternatively provide the sponsors, when a fundraiser is in process, a receipt book which they could use to give a receipt to the students. These receipts could then be reconciled to the amount of collections.

Response - As recommended small receipt booklets have been given to office secretaries/fundraising sponsors for monetary collections and receipts presented to students/parents. Sponsors were also asked to keep individual spreadsheets for tracking of all records pertaining to the fundraising events. All monies are now turned in to Accounts Receivable (Business Office), counted/receipted again before deposited in the District Depository (Farmers State Bank).

Conclusion - Response accepted.

- I-G-12 Cash Receipts - We noted that in the Student Activity fund that the receipts issued from the Central Office are written to 'Activity' Rather that to the individual person.

Recommendation - Better documentation would be to have the receipt written to the individual who is turning the money over to the District. Most financial accounting software allows for the 'receiver from' information to be entered as well as the reason for the receipt. This information would allow more transparency when reviewing financial statements, as the description of the type of revenue as well as whom it was received from is identified instead of the generic term 'Activity'.

Response - Activity Director's Secretary has been instructed on proper way to record cash receipts. District Security/Facility changes have moved personnel/offices and as recommended all District Revenues are now turned in to the Business Manager's Office (Accounts Receivable) for receipts prior to delivery to bank depository.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012 did not exceed the amount budgeted.

II-B-12 Questionable Disbursements - We noted the District purchased Apple vouchers for \$10,000. The Department of Education's advice with regard to the Apple Voucher program is that it is a pre-purchase which does not allow for the District to 'audit and allow' for the purchase prior to payment. The Department of Education advised that Districts should use a District credit card and purchase as needed the electronic applications and programs. In addition, the District should retain ownership of these purchases for future installation on different computers.

Recommendation - The District should review its policies on retaining information as to purchased apps and programs, in addition to the ownership of these purchases for future installation on different computers. The District cannot legally pay for a program that is owned by a student or teacher; it must be paid by the individual who owns the program or app.

Response - As recommended, the District has discontinued this practice. All online curriculum apps/programs are purchased as needed for District computer, IPAD use only.

Conclusion - Response accepted.

Student Activity Fund- During the audit it was noted the District makes numerous purchases of sports apparel through the Student Activity Fund for fundraising purposes. We noted it was difficult to determine if the District collected funds to cover the costs of the apparel ordered. Information was accumulated subsequently to document that in most cases the District did record cash receipts to support the purchase. It was difficult to determine if additional clothing items were added to the order above the number of sold items since receipts were lump sum collected amounts. In one instance the requisition indicated that the T-shirts purchased were for 'coaches/chain gang and other staff' we were unable to determine that these were paid for by individuals receiving the clothing.

Recommendation - The District should refrain from purchasing clothing for coaches, staff, or as gifts since it would not meet the requirement of public purpose. In addition the District should review procedures in place for documenting purchases of sports apparel for fundraising purchases to ensure payment for ordered items. Possibly through the issuance of receipts for the purchase of individual items, this would allow for a reconciliation of ordered items to cash collected.

Response - As recommended, Administration have shared this information with Activity Director and all coaching personnel. Receipt booklets are now issued to coaches/sponsors who have permission to engage in fundraising events. Instruction on proper recording of all sales has been completed.

Conclusion - Response accepted.

II-C-12 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-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

- II-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - No variances regarding the certified enrollment certified to the Iowa Department of Education were noted.
- II-H-11 Supplementary Weighting - The District did not offer and serve English classes resulting in accreditation adjustments of -2.12.
- Recommendation - The District should contact the Department of Education to resolve these adjustments.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.
- Conclusion - Response accepted.
- II-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 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, 2012, 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 2012 audit.

Beginning Balance		\$	2,415,251
Revenues:			
Sales tax revenues	\$	403,589	
Other local revenues		9,753	413,342
			<u>2,828,593</u>
Expenditures/transfers out:			
School infrastructure Construction		1,849,462	
Transfers to other funds:			
Debt service fund		280,873	2,130,335
			<u>\$ 698,258</u>

For the year ended June 30, 2012, 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-12 Financial Condition - During our audit we noted the District had three accounts in the Activity Fund with deficit unassigned balances totaling \$5,630 at June 30, 2012.

Recommendation -The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - District followed recommendation and Activity Director's Secretary sends financial balance updates to the Activity Sponsors/Director and the Business Manager on a monthly basis. Requisitions are submitted to the Activity Director for signature/approval prior to Superintendent's signature/approval before PO's can be drafted and items ordered.

Conclusion - Response accepted.

II-N-12 Concessions - We noted that concessions for most school events are maintained by an outside organization. The organization consists primarily of parents of current students; it is separate from the school with its own records and tax status. The District should refrain from giving away revenue to outside organizations.

Recommendation - The District should look into ways of ensuring that the District is the sole beneficiary of money raised from concessions sold on District grounds.

Response - This revenue item has been brought to the attention of the Dunkerton Board of Directors, Administrators, Activity Director and the Dunkerton Educational Coalition (D.E.C.). All revenues received from these outside fundraising organizations is donated back to the student/district organizations.

Conclusion - Response acknowledged.