

DUNKERTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Alen Nagel	President	2013
Tony Gamerdinger	Vice President	2013
Cindi Rigdon	Board Member	2013
Jonathon Cox	Board Member (Resigned October 15, 2012)	2015
Chris Gibson	Board Member (Appointed November 19, 2012)	2013
Kirby Marquart	Board Member	2015
<u>School Officials</u>		
Jim Stanton	Superintendent	2013
Amy Morley	District Secretary/Treasurer	2013
Ahlers & Cooney P.C.	Attorney	2013

**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:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District, Dunkerton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Dunkerton Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

*Required Supplementary Information.*

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited in accordance with the standards referred to in the second paragraph of this report the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2014, 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 in considering Dunkerton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2014  
Newton, Iowa

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

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,809,971 in fiscal 2012 to \$5,004,267 in fiscal 2013, while General Fund expenditures decreased from \$4,780,008 in fiscal 2012 to \$4,763,540 in fiscal 2013. This District's General Fund balance increased from \$700,120 in fiscal 2012 to \$940,847 in fiscal 2013, a 34.38% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in local and state revenue in fiscal 2013. The decrease in expenditures was due primarily to a decrease in instruction expenditures during the year.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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.

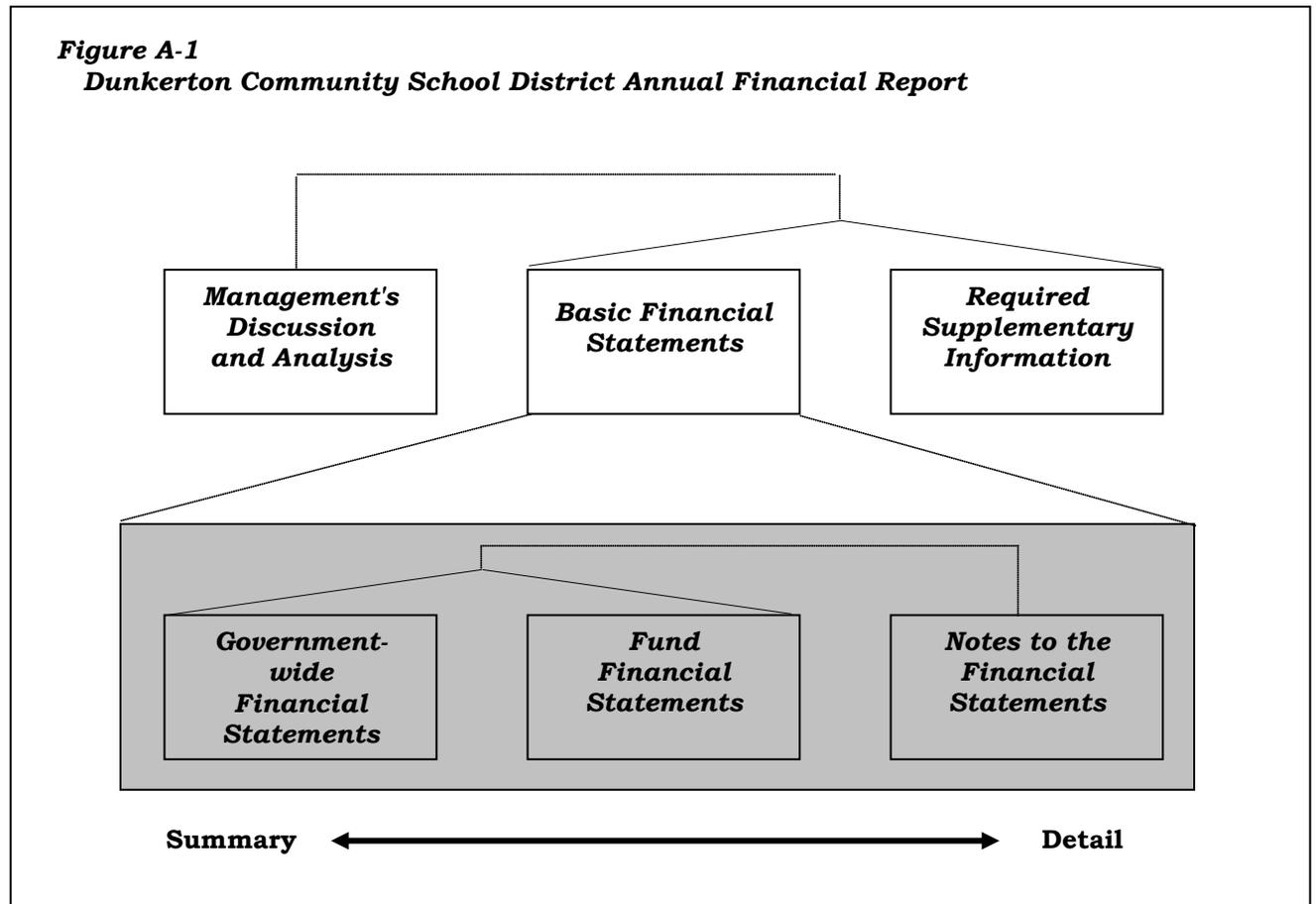


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 two enterprise funds, the School Nutrition Fund and the Building Trade Class Fund.

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

- 3) *Fiduciary Funds*: The District is the trustee or fiduciary, for assets that belong to others. These funds include 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 Position 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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,049,071	5,268,307	147,028	144,783	5,196,099	5,413,090	-4.01%
Capital assets	9,810,316	9,026,816	6,351	11,806	9,816,667	9,038,622	8.61%
Total assets	14,859,387	14,295,123	153,379	156,589	15,012,766	14,451,712	3.88%
Long-term obligations	5,193,229	5,444,546	-	-	5,193,229	5,444,546	-4.62%
Other liabilities	2,981,190	2,736,441	3,063	2,686	2,984,253	2,739,127	8.95%
Total liabilities	8,174,419	8,180,987	3,063	2,686	8,177,482	8,183,673	-0.08%
Net position:							
Invested in capital assets, net of related debt	4,810,316	3,806,816	6,351	11,806	4,816,667	3,818,622	26.14%
Restricted	992,035	1,649,432	-	-	992,035	1,649,432	-39.86%
Unrestricted	882,617	657,888	143,965	142,097	1,026,582	799,985	28.33%
Total net position	\$ 6,684,968	6,114,136	150,316	153,903	6,835,284	6,268,039	9.05%

The District's combined net position increased by 9.05%, or \$567,245 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$657,397, or 39.86% over the prior year. This decrease was primarily a result of the District's decrease in the amount restricted for Physical Plant and Equipment purposes at year end.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$226,597, or 28.33%. The increase in unrestricted net position was primarily the result of the increase in the fund balance of the General Fund during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 349,817	326,409	123,713	128,055	473,530	454,464	4.20%
Operating grants and contributions and restricted interest	499,719	545,454	104,110	107,245	603,829	652,699	-7.49%
Capital grants and contributions and restricted interest	864	-	-	-	864	-	100.00%
General revenues:							
Property tax	2,181,145	2,044,786	-	-	2,181,145	2,044,786	6.67%
Income surtax	174,141	184,450	-	-	174,141	184,450	-5.59%
Statewide sales, services and use tax	408,468	403,589	-	-	408,468	403,589	1.21%
Unrestricted state grants	2,391,286	2,105,984	-	-	2,391,286	2,105,984	13.55%
Nonspecific program federal grants	-	68,016	-	-	-	68,016	-100.00%
Unrestricted investment earnings	5,013	14,006	927	46	5,940	14,052	-57.73%
Other	49,225	127,849	2,062	-	51,287	127,849	-59.88%
Total revenues	6,059,678	5,820,543	230,812	235,346	6,290,490	6,055,889	3.87%
Program expenses:							
Governmental activities:							
Instruction	3,359,656	3,493,931	3,723	3,081	3,363,379	3,497,012	-3.82%
Support services	1,523,130	1,394,018	898	1,788	1,524,028	1,395,806	9.19%
Non-instructional programs	-	-	229,778	231,261	229,778	231,261	-0.64%
Other expenses	606,060	675,364	-	-	606,060	675,364	-10.26%
Total expenses	5,488,846	5,563,313	234,399	236,130	5,723,245	5,799,443	-1.31%
Changes in net position	570,832	257,230	(3,587)	(784)	567,245	256,446	121.19%
Beginning net position	6,114,136	5,856,906	153,903	154,687	6,268,039	6,011,593	4.27%
Ending net position	\$ 6,684,968	6,114,136	150,316	153,903	6,835,284	6,268,039	9.05%

Property tax, income surtax, statewide sales, services and use tax, unrestricted state grants account for 85.07% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for 98.71% of the revenue for the business type activities.

The District's total revenue was \$6,290,490, of which \$6,059,678 was for governmental activities and \$230,812 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced 3.87% increase in revenues and a decrease of 1.31% in expenditures. Decreased instructional expenditures were the primary cause of the decrease in expenditures during the year.

### Governmental Activities

Revenues for governmental activities were \$6,059,678 and expenses were \$5,488,846.

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
	2013	2012	2012-13	2013	2012	2012-13
Instruction	\$ 3,359,656	3,493,931	-3.84%	2,713,139	2,833,696	-4.25%
Support services	1,523,130	1,394,018	9.26%	1,517,460	1,387,238	9.39%
Other expenses	606,060	675,364	-10.26%	407,847	470,516	-13.32%
Totals	\$ 5,488,846	5,563,313	-1.34%	4,638,446	4,691,450	-1.13%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$349,817.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$500,583.
- The net cost of governmental activities was financed with \$2,181,145 in property tax, \$174,141 in income surtax, \$408,468 in statewide sales, services and use tax, \$2,391,286 in unrestricted state grants, \$5,013 in interest income and \$49,225 in other general revenue.

### Business type Activities

Revenues of the District's business type activities were \$230,812 and expenses were \$234,399. 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 \$1,905,356, below last year's ending fund balances of \$2,365,334. The primary reason for the decrease in combined fund balances in fiscal 2013 is due to the decrease in the Capital Projects Fund balance due to ongoing construction projects.

### Governmental Fund Highlights

- The District's General Fund financial position increased from \$700,120 at June 30, 2012 to \$940,847 at June 30, 2013 and is the product of many factors. Increases in local and state revenue sources during the year resulted in an increase in revenues. General fund expenditures also decreased during the year to help contribute to the increase in fund balance.
- The District's Capital Projects Fund decreased from a balance of \$1,124,198 at June 30, 2012 to \$397,372 at June 30, 2013 due to expenses associated with Phase II of the High School remodeling project.

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### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$86,176 at June 30, 2012 to \$86,619 at June 30, 2013, representing an increase of 0.51%. The Building Trades Class Fund net position decreased from \$67,727 at June 30, 2012 to \$63,697 at June 30, 2013.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Dunkerton Community School District amended its budget one time to reflect additional expenditures associated with Phase II of the high school remodel project.

The District's revenues were \$44,205 less than budgeted revenues, a variance of 0.70%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and other expenditures functional areas.

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

#### **Capital Assets**

At June 30, 2013, the District had invested \$9,816,667, 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 8.61% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$280,332.

The original cost of the District's capital assets was \$15,522,306. Governmental funds account for \$15,416,285 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 construction in progress category. The District's construction in progress totaled \$796,301 at June 30, 2013, compared to \$0 reported at June 30, 2012. This increase resulted from the District beginning construction on Phase II of the High School remodeling project during the year.

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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Construction in progress	796,301	-	-	-	796,301	-	100.00%
Buildings	8,663,520	8,789,701	-	-	8,663,520	8,789,701	-1.44%
Land improvements	80,655	65,711	-	-	80,655	65,711	22.74%
Machinery and equipment	259,840	161,404	6,351	11,806	266,191	173,210	53.68%
Total	\$ 9,810,316	9,026,816	6,351	11,806	9,816,667	9,038,622	8.61%

### Long-Term Debt

At June 30, 2013, the District had \$5,139,229 in other long-term debt outstanding. This represents a decrease of 4.62% 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 \$1,775,000 at June 30, 2013.

The District had total outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$3,225,000 at June 30, 2013.

The District had total outstanding Termination Benefits payable from the Special Revenue, Management Levy Fund of \$115,249 at June 30, 2013.

The District had a net OPEB liability payable of \$77,980 as of June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 1,775,000	1,850,000	-4.05%
Revenue bonds	3,225,000	3,370,000	-4.30%
Termination benefits	115,249	165,092	-30.19%
OPEB liability	77,980	59,454	31.16%
Total	\$ 5,193,229	5,444,546	-4.62%

### 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:

- With the new tax reforms put in place by the state legislature and no residential/commercial growth within the District, we anticipate reduced revenue for the upcoming school year. The reduced funding will continue to put a strain on the District General Fund cash reserves.

- 
- The negotiated increase in instructional salaries, anticipated increase for electric/fuel costs, additional support costs for completed building project combined with the anticipated reduction in revenue will have an adverse effect on the District's General Fund budget. We anticipate close monitoring and possible reduction in support service expenses may be required throughout the year.

### **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.

# **Basic Financial Statements**

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,577,236	142,996	2,720,232
Receivables:			
Property tax:			
Delinquent	28,409	-	28,409
Succeeding year	2,157,140	-	2,157,140
Income surtax	178,890	-	178,890
Due from other governments	107,396	-	107,396
Inventories	-	4,032	4,032
Capital assets, net of accumulated depreciation	9,810,316	6,351	9,816,667
<b>TOTAL ASSETS</b>	<b>14,859,387</b>	<b>153,379</b>	<b>15,012,766</b>
<b>LIABILITIES</b>			
Accounts payable	397,123	-	397,123
Salaries and benefits payable	410,562	-	410,562
Accrued interest payable	16,365	-	16,365
Deferred revenue:			
Succeeding year property tax	2,157,140	-	2,157,140
Unearned revenue	-	3,063	3,063
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	75,000	-	75,000
Revenue bonds payable	150,000	-	150,000
Termination benefits payable	45,324	-	45,324
Portion due after one year:			
General obligation bonds payable	1,700,000	-	1,700,000
Revenue bonds payable	3,075,000	-	3,075,000
Termination benefits payable	69,925	-	69,925
Net OPEB liability	77,980	-	77,980
<b>TOTAL LIABILITIES</b>	<b>8,174,419</b>	<b>3,063</b>	<b>8,177,482</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,810,316	6,351	4,816,667
Restricted for:			
Categorical funding	151,453	-	151,453
Debt service	338,799	-	338,799
Management levy purposes	72,388	-	72,388
Student activities	32,023	-	32,023
School infrastructure	394,956	-	394,956
Physical plant and equipment	2,416	-	2,416
Unrestricted	882,617	143,965	1,026,582
<b>TOTAL NET POSITION</b>	<b>\$ 6,684,968</b>	<b>150,316</b>	<b>6,835,284</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,101,353	169,373	68,286	-	(1,863,694)	-	(1,863,694)
Special	590,286	54,608	71,389	-	(464,289)	-	(464,289)
Other	668,017	125,836	157,025	-	(385,156)	-	(385,156)
	<u>3,359,656</u>	<u>349,817</u>	<u>296,700</u>	<u>-</u>	<u>(2,713,139)</u>	<u>-</u>	<u>(2,713,139)</u>
Support services:							
Student	85,802	-	-	-	(85,802)	-	(85,802)
Instructional staff	163,884	-	-	-	(163,884)	-	(163,884)
Administration	481,175	-	-	-	(481,175)	-	(481,175)
Operation and maintenance of plant	542,232	-	-	864	(541,368)	-	(541,368)
Transportation	250,037	-	4,806	-	(245,231)	-	(245,231)
	<u>1,523,130</u>	<u>-</u>	<u>4,806</u>	<u>864</u>	<u>(1,517,460)</u>	<u>-</u>	<u>(1,517,460)</u>
Long-term debt interest	204,176	-	-	-	(204,176)	-	(204,176)
Other expenditures:							
AEA flowthrough	198,213	-	198,213	-	-	-	-
Depreciation(unallocated)*	203,671	-	-	-	(203,671)	-	(203,671)
	<u>401,884</u>	<u>-</u>	<u>198,213</u>	<u>-</u>	<u>(203,671)</u>	<u>-</u>	<u>(203,671)</u>
Total governmental activities	5,488,846	349,817	499,719	864	(4,638,446)	-	(4,638,446)
Business Type activities:							
Instruction:							
Regular	3,723	-	-	-	-	(3,723)	(3,723)
Support services:							
Operation and maintenance of plant	898	-	-	-	-	(898)	(898)
	<u>4,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,621)</u>	<u>(4,621)</u>
Non-instructional programs:							
Nutrition	229,471	123,713	104,110	-	-	(1,648)	(1,648)
Other enterprise operations	307	-	-	-	-	(307)	(307)
Total business type activities	<u>234,399</u>	<u>123,713</u>	<u>104,110</u>	<u>-</u>	<u>-</u>	<u>(6,576)</u>	<u>(6,576)</u>
Total	\$ 5,723,245	473,530	603,829	864	(4,638,446)	(6,576)	(4,645,022)
<b>General Revenues:</b>							
Local tax for:							
General purposes					\$ 1,804,893	-	1,804,893
Capital outlays					231,381	-	231,381
Debt service					144,871	-	144,871
Income surtax					174,141	-	174,141
Statewide sales, services and use tax					408,468	-	408,468
Unrestricted state grants					2,391,286	-	2,391,286
Unrestricted investment earnings					5,013	927	5,940
Other general revenues					49,225	2,062	51,287
Total general revenues					<u>5,209,278</u>	<u>2,989</u>	<u>5,212,267</u>
Changes in net position					570,832	(3,587)	567,245
Net position beginning of year					6,114,136	153,903	6,268,039
Net position end of year					<u>\$ 6,684,968</u>	<u>150,316</u>	<u>6,835,284</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, 2013

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,388,003	621,708	567,525	2,577,236
Receivables:				
Property tax:				
Delinquent	21,728	2,982	3,699	28,409
Succeeding year	1,598,088	240,534	318,518	2,157,140
Income surtax	178,890	-	-	178,890
Due from other governments	41,721	65,675	-	107,396
<b>Total assets</b>	<b>\$ 3,228,430</b>	<b>930,899</b>	<b>889,742</b>	<b>5,049,071</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 100,043	292,993	4,087	397,123
Salaries and benefits payable	410,562	-	-	410,562
Deferred revenue:				
Succeeding year property tax	1,598,088	240,534	318,518	2,157,140
Income surtax	178,890	-	-	178,890
<b>Total liabilities</b>	<b>2,287,583</b>	<b>533,527</b>	<b>322,605</b>	<b>3,143,715</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Categorical funding	151,453	-	-	151,453
Debt service	-	-	355,164	355,164
Management levy purposes	-	-	187,637	187,637
Student activities	-	-	32,023	32,023
School infrastructure	-	394,956	-	394,956
Physical plant and equipment	-	2,416	-	2,416
<b>Unassigned</b>				
General fund	789,394	-	-	789,394
Student activities	-	-	(7,687)	(7,687)
<b>Total fund balances</b>	<b>940,847</b>	<b>397,372</b>	<b>567,137</b>	<b>1,905,356</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,228,430</b>	<b>930,899</b>	<b>889,742</b>	<b>5,049,071</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$ 1,905,356
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	9,810,316
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	178,890
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.	(16,365)
Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.	<u>(5,193,229)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 6,684,968</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,843,426	639,849	285,195	2,768,470
Tuition	200,942	0	0	200,942
Other	66,948	10,567	128,704	206,219
State sources	2,661,944	191	237	2,662,372
Federal sources	226,391	0	0	226,391
<b>Total revenues</b>	<b>4,999,651</b>	<b>650,607</b>	<b>414,136</b>	<b>6,064,394</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,054,235	0	75,415	2,129,650
Special	583,408	0	0	583,408
Other	549,775	0	138,739	688,514
	<b>3,187,418</b>	<b>0</b>	<b>214,154</b>	<b>3,401,572</b>
Support services:				
Student	85,280	0	0	85,280
Instructional staff	162,458	1,583	0	164,041
Administration	494,516	0	1,000	495,516
Operation and maintenance of plant	403,248	299,566	24,341	727,155
Transportation	232,407	88,895	4,733	326,035
	<b>1,377,909</b>	<b>390,044</b>	<b>30,074</b>	<b>1,798,027</b>
Capital outlay	0	706,291	0	706,291
Long-term debt:				
Principal	0	0	220,000	220,000
Interest and fiscal charges	0	0	204,885	204,885
	<b>0</b>	<b>0</b>	<b>424,885</b>	<b>424,885</b>
Other expenditures:				
AEA flowthrough	198,213	0	0	198,213
<b>Total expenditures</b>	<b>4,763,540</b>	<b>1,096,335</b>	<b>669,113</b>	<b>6,528,988</b>
Excess(Deficiency) of revenues over(under) expenditures	236,111	(445,728)	(254,977)	(464,594)
Other financing sources(uses):				
Proceeds from the sale of capital assets	4,616	0	0	4,616
Transfer in	0	0	281,098	281,098
Transfer out	0	(281,098)	0	(281,098)
<b>Total other financing sources(uses)</b>	<b>4,616</b>	<b>(281,098)</b>	<b>281,098</b>	<b>4,616</b>
Net change in fund balances	240,727	(726,826)	26,121	(459,978)
Fund balance beginning of year	700,120	1,124,198	541,016	2,365,334
Fund balance end of year	<b>\$ 940,847</b>	<b>397,372</b>	<b>567,137</b>	<b>1,905,356</b>

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, 2013

**Net change in fund balances - total governmental funds(page 22)** \$ (459,978)

*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, depreciation expense and loss on disposal in the year are as follows:

Capital outlays	\$ 1,095,666	
Depreciation expense	(274,877)	
Loss on disposal	<u>(37,289)</u>	783,500

Repayment of long-term liabilities is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 220,000

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. 709

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (4,716)

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.

Termination benefits	49,843	
Other postemployment benefits	<u>(18,526)</u>	<u>31,317</u>

**Changes in net position of governmental activities(page 19)** \$ 570,832

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	School Nutrition	Building Trades Class	Total
<b>Assets</b>			
Cash and pooled investments	\$ 79,299	63,697	142,996
Inventories	4,032	-	4,032
Capital assets, net of accumulated depreciation	6,351	-	6,351
<b>Total assets</b>	<b>89,682</b>	<b>63,697</b>	<b>153,379</b>
<b>Liabilities</b>			
Unearned revenue	3,063	-	3,063
<b>Net Position</b>			
Invested in capital assets	6,351	-	6,351
Unrestricted	80,268	63,697	143,965
<b>Total net position</b>	<b>\$ 86,619</b>	<b>63,697</b>	<b>150,316</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Building Trades Class	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 123,713	-	123,713
Other miscellaneous revenue	2,062	-	2,062
<b>TOTAL OPERATING REVENUES</b>	<b>125,775</b>	<b>-</b>	<b>125,775</b>
<b>OPERATING EXPENSES:</b>			
Instruction:			
Supplies	-	3,723	3,723
Support services:			
Operation and maintenance of plant:			
Services	898	-	898
Non-instructional programs:			
Food service operations:			
Salaries	74,478	-	74,478
Benefits	11,591	-	11,591
Services	1,212	-	1,212
Supplies	136,640	-	136,640
Other	95	-	95
Depreciation	5,455	-	5,455
	229,471	-	229,471
Other enterprise operations:			
Supplies	-	307	307
<b>TOTAL OPERATING EXPENSES</b>	<b>230,369</b>	<b>4,030</b>	<b>234,399</b>
<b>OPERATING LOSS</b>	<b>(104,594)</b>	<b>(4,030)</b>	<b>(108,624)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	3,198	-	3,198
Federal sources	100,912	-	100,912
Interest on investments	927	-	927
<b>TOTAL NON-OPERATING REVENUES</b>	<b>105,037</b>	<b>-</b>	<b>105,037</b>
Changes in net position	443	(4,030)	(3,587)
Net position beginning of year	86,176	67,727	153,903
Net position end of year	\$ 86,619	63,697	150,316

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Building Trades Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 124,090	-	124,090
Cash received from miscellaneous	2,062	-	2,062
Cash payments to employees for services	(86,069)	-	(86,069)
Cash payments to suppliers for goods or services	(131,603)	(4,030)	(135,633)
Net cash used in operating activities	(91,520)	(4,030)	(95,550)
Cash flows from non-capital financing activities:			
State grants received	3,198	-	3,198
Federal grants received	94,122	-	94,122
Net cash provided by non-capital financing activities	97,320	-	97,320
Cash flows from investing activities:			
Interest on investments	927	-	927
Net increase(decrease) in cash and cash equivalents	6,727	(4,030)	2,697
Cash and cash equivalents at beginning of year	72,572	67,727	140,299
Cash and cash equivalents at end of year	\$ 79,299	63,697	142,996
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (104,594)	(4,030)	(108,624)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	6,790	-	6,790
Depreciation	5,455	-	5,455
Decrease in inventories	452	-	452
Increase in unearned revenue	377	-	377
Net cash used in operating activities	\$ (91,520)	(4,030)	(95,550)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal Commodities valued at \$6,790.

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 10,422</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 10,422</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 103
Donations	<u>601</u>
TOTAL ADDITIONS	<u>704</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,848</u>
Change in net position	(1,144)
Net position beginning of year	<u>11,566</u>
Net position end of year	<u>\$ 10,422</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note 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. Additionally, the District either operates or sponsors various adult educational programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Dunkerton, Iowa, and the predominate agricultural territory of Black Hawk 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 Government 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 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 Black Hawk County Assessor's Conference Board.

**B. Basis of Presentation**

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

The Statement of Net Position (previously referred to as net assets) presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District also reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Building Trades Funds. These funds are used to account for the food service, and buildings trade class operations of the District.

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid 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 - assigned and then unassigned fund balances.

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

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

#### D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Intangles	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 payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 Position in the Proprietary, School Nutrition Fund.

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

Fund Balances - 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 preceding classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceed the amounts budgeted in the support services and other expenditures functional areas.

**Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had no investments.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide sales, services and use tax	<u>\$ 281,098</u>

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

#### **Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2013 was 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	-	796,301	-	796,301
Total capital assets not being depreciated	<u>10,000</u>	<u>796,301</u>	<u>-</u>	<u>806,301</u>
Capital assets being depreciated:				
Buildings	12,078,311	71,779	-	12,150,090
Land improvements	337,820	20,655	-	358,475
Machinery and equipment	1,937,992	206,931	43,504	2,101,419
Total capital assets being depreciated	<u>14,354,123</u>	<u>299,365</u>	<u>43,504</u>	<u>14,609,984</u>
Less accumulated depreciation for:				
Buildings	3,288,610	197,960	-	3,486,570
Land improvements	272,109	5,711	-	277,820
Machinery and equipment	1,776,588	71,206	6,215	1,841,579
Total accumulated depreciation	<u>5,337,307</u>	<u>274,877</u>	<u>6,215</u>	<u>5,605,969</u>
Total capital assets being depreciated, net	<u>9,016,816</u>	<u>24,488</u>	<u>37,289</u>	<u>9,004,015</u>
Governmental activities capital assets, net	<u>\$ 9,026,816</u>	<u>820,789</u>	<u>37,289</u>	<u>9,810,316</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 106,021	-	-	106,021
Less accumulated depreciation	94,215	5,455	-	99,670
Business type activities capital assets, net	<u>\$ 11,806</u>	<u>(5,455)</u>	<u>-</u>	<u>6,351</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,109
Other	6,352
Support services:	
Administrative	7,621
Operation and maintenance of plant	3,479
Transportation	<u>52,645</u>
	71,206
Unallocated depreciation	<u>203,671</u>
Total governmental activities depreciation expense	<u>\$ 274,877</u>
Business type activities:	
Food services	<u>\$ 5,455</u>

## Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,850,000	-	75,000	1,775,000	75,000
Revenue bonds	3,370,000	-	145,000	3,225,000	150,000
Termination benefits	165,092	24,925	74,768	115,249	45,324
OPEB liability	59,454	18,526	-	77,980	-
<b>Total</b>	<b>\$ 5,444,546</b>	<b>43,451</b>	<b>294,768</b>	<b>5,193,229</b>	<b>270,324</b>

### General Obligation Bonds Payable

Details of the Districts June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Issue Dated July 15, 2010			
	Interest Rates	Principal	Interest	Total
2014	1.70	% \$ 75,000	74,018	149,018
2015	2.00	80,000	66,518	146,518
2016	2.30	80,000	64,678	144,678
2017	2.70	85,000	62,518	147,518
2018	3.00	85,000	59,967	144,967
2019-2023	3.40-4.00	485,000	252,711	737,711
2024-2028	4.10-4.50	600,000	147,175	747,175
2029-2030	4.60-4.70	285,000	20,070	305,070
<b>Total</b>		<b>\$ 1,775,000</b>	<b>747,655</b>	<b>2,522,655</b>

### Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated July 15, 2010			
	Interest Rates	Principal	Interest	Total
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	3.40	160,000	115,193	275,193
2018	3.40	170,000	109,752	279,752
2019-2023	3.60-4.20	955,000	450,743	1,405,743
2024-2028	4.30-4.55	1,205,000	230,836	1,435,836
2029	4.60	280,000	12,880	292,880
<b>Total</b>		<b>\$ 3,225,000</b>	<b>1,296,091</b>	<b>4,521,091</b>

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 69 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,521,091. For the current year, \$145,000 in principal and \$135,592 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$408,468.

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

- a) \$292,880 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any remaining monies in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

#### Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2013. Employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences.

The early retirement benefit for each eligible employee is equal to \$10,000 placed in a Health Reimbursement Account to cover individual insurance costs until the \$10,000 is exhausted. Each retiree will also receive \$20 per day of unused sick days that are left over at the end of the year in which the employee retires. The District had two participants who during fiscal 2013 and a total liability of \$24,925.

At June 30, 2013, the District has obligations to six participants with a total liability of \$115,249 payable from the Special Revenue, Management Levy Fund. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$74,768. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

#### **Note 6. Other Postemployment Benefits(OPEB)**

Plan Description – The District operates a single employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 47 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 31,550
Interest on net OPEB obligation	1,536
Adjustment to annual required contribution	<u>(5,095)</u>
Annual OPEB cost	27,991
Contributions made	<u>(9,465)</u>
Increase in net OPEB obligation	18,526
Net OPEB obligation beginning of year	<u>59,454</u>
 Net OPEB obligation end of year	 <u><u>\$ 77,980</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$9,465 to the medical plan.

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, 2013 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 25,800	27.96%	\$ 38,565
2012	\$ 28,102	25.67%	\$ 59,454
2013	\$ 27,991	33.81%	\$ 77,980

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$147,868 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$147,868. The covered payroll (annual payroll of active employees covered by the plan) was \$1,962,110 and the ratio of the UAAL to covered payroll was 7.54%. As of June 30, 2013, 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, 2012 actuarial valuation date, the 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 probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs are \$588 per month for a single 250 plan, \$534 for a single 750 plan, \$489 for a 1500 plan, and \$419 for a 2500 single plan, and \$1,465 for a 250 family plan, \$1,327 for a 750 family plan, \$1,215 for a 1500 family plan, and \$1,040 for a 2500 family plan. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$228,797, \$206,843 and \$190,121 respectively, equal to the required contributions for each year.

#### **Note 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, 2013 were \$370,416.

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.

#### **Note 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 \$198,213 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Operating Lease Commitment**

The District entered into a sixty month contract to lease a copy machine in September 2012. The remaining payments the District will make over the next five years are as follows:

Year Ended	
June 30	Lease Payment
2014	\$ 3,394
2015	3,394
2016	3,394
2017	3,394
2018	566
	<u>\$ 14,141</u>

**Note 11. Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Programs	Amount
Limited english proficiency program	\$ 1,294
At-risk supplemental weighting	22,629
Gifted and talented programs	4,184
Dropout and dropout prevention	64,635
Teacher salary supplement	26,596
Market factor	3,667
Professional development	27,540
Market factor incentives	908
Total	<u>\$ 151,453</u>

**Note 12. Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position are as follows:

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	187,637	355,164	789,394
Invested in capital assets, net of accumulated depreciation	9,810,316	-	-	-
General obligation bond capitalized indebtedness	(1,775,000)	-	-	-
Revenue bond capitalized indebtedness	(3,225,000)	-	-	-
Termination benefits	-	(115,249)	-	-
Accrued interest payable	-	-	(16,365)	-
Income surtax receivable	-	-	-	178,890
Net OPEB liability	-	-	-	(77,980)
Unassigned for student activities	-	-	-	(7,687)
Net position (Exhibit A)	<u>\$ 4,810,316</u>	<u>72,388</u>	<u>338,799</u>	<u>882,617</u>

**Note 13. Deficit Accounts**

The District had deficit accounts in the Special Revenue, Student Activity Fund totaling \$7,687 at June 30, 2013.

**Note 14. Construction Commitment**

The District has entered into various contracts totaling \$975,000 for Phase II construction of renovations to the Districts high school. As of June 30, 2013, costs of \$796,301 had been incurred against these contracts. The balance of \$178,699 will be paid out as work on the project progresses.

**Note 15. Budget Overexpenditures**

Per code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2013, the District exceeded its budgeted amounts in the support services and other expenditures functional areas.

## **Required Supplementary Information**

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,175,631	126,702	3,302,333	3,274,270	3,274,270	28,063
State sources	2,662,372	3,198	2,665,570	2,791,141	2,791,141	(125,571)
Federal sources	226,391	100,912	327,303	274,000	274,000	53,303
Total revenues	6,064,394	230,812	6,295,206	6,339,411	6,339,411	(44,205)
Expenditures/expenses:						
Instruction	3,401,572	3,723	3,405,295	4,559,311	4,559,311	1,154,016
Support services	1,798,027	898	1,798,925	1,716,425	1,716,425	(82,500)
Non-instructional programs	-	229,778	229,778	275,000	800,000	570,222
Other expenditures	1,329,389	-	1,329,389	883,586	883,586	(445,803)
Total expenditures/expenses	6,528,988	234,399	6,763,387	7,434,322	7,959,322	1,195,935
Excess(Deficiency) of revenues over(under) expenditures/expenses	(464,594)	(3,587)	(468,181)	(1,094,911)	(1,619,911)	1,151,730
Other financing sources, net	4,616	-	4,616	10,000	10,000	(5,384)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(459,978)	(3,587)	(463,565)	(1,084,911)	(1,609,911)	1,146,346
Balance beginning of year	2,365,334	153,903	2,519,237	1,591,192	1,591,192	928,045
Balance end of year	\$ 1,905,356	150,316	2,055,672	506,281	(18,719)	2,074,391

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$525,000.

During the year ended June 30, 2013, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 184,109	\$ 184,109	0.0%	\$ 1,728,147	10.65%
2011	July 1, 2009	\$ -	\$ 184,109	\$ 184,109	0.0%	\$ 1,448,809	12.71%
2012	July 1, 2009	\$ -	\$ 184,109	\$ 184,109	0.0%	\$ 1,859,732	9.90%
2013	July 1, 2012	\$ -	\$ 147,868	\$ 147,868	0.0%	\$ 1,962,110	7.54%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
<b>Assets</b>					
Cash and pooled investments	\$ 185,805	28,423	214,228	353,297	567,525
Receivables:					
Property tax:					
Delinquent	1,832	-	1,832	1,867	3,699
Succeeding year	175,000	-	175,000	143,518	318,518
<b>Total assets</b>	<b>\$ 362,637</b>	<b>28,423</b>	<b>391,060</b>	<b>498,682</b>	<b>889,742</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	4,087	4,087	-	4,087
Deferred revenue:					
Succeeding year property tax	175,000	-	175,000	143,518	318,518
<b>Total liabilities</b>	<b>175,000</b>	<b>4,087</b>	<b>179,087</b>	<b>143,518</b>	<b>322,605</b>
Fund Balances:					
Restricted for:					
Debt Service	-	-	-	355,164	355,164
Management levy purposes	187,637	-	187,637	-	187,637
Student activities	-	32,023	32,023	-	32,023
Unassigned	-	(7,687)	(7,687)	-	(7,687)
<b>Total fund balances</b>	<b>187,637</b>	<b>24,336</b>	<b>211,973</b>	<b>355,164</b>	<b>567,137</b>
<b>Total liabilities and fund balances</b>	<b>\$ 362,637</b>	<b>28,423</b>	<b>391,060</b>	<b>498,682</b>	<b>889,742</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 140,324	-	140,324	144,871	285,195
Other	2,332	125,865	128,197	507	128,704
State sources	117	-	117	120	237
Total revenues	<u>142,773</u>	<u>125,865</u>	<u>268,638</u>	<u>145,498</u>	<u>414,136</u>
Expenditures:					
Current:					
Instruction:					
Regular	75,415	-	75,415	-	75,415
Other	-	138,739	138,739	-	138,739
Support services:					
Administration	-	-	-	1,000	1,000
Operation and maintenance of plant	24,341	-	24,341	-	24,341
Transportation	4,733	-	4,733	-	4,733
Long-term debt:					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	204,885	204,885
Total expenditures	<u>104,489</u>	<u>138,739</u>	<u>243,228</u>	<u>425,885</u>	<u>669,113</u>
Excess(Deficiency) of revenues over(under) expenditures	38,284	(12,874)	25,410	(280,387)	(254,977)
Other financing sources:					
Transfers in	-	-	-	281,098	281,098
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	38,284	(12,874)	25,410	711	26,121
Fund balances beginning of year	<u>149,353</u>	<u>37,210</u>	<u>186,563</u>	<u>354,453</u>	<u>541,016</u>
Fund balances end of year	<u>\$ 187,637</u>	<u>24,336</u>	<u>211,973</u>	<u>355,164</u>	<u>567,137</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 329,281	292,427	621,708
Receivables:			
Property tax:			
Delinquent	-	2,982	2,982
Succeeding year	-	240,534	240,534
Due from other governments	65,675	-	65,675
<b>TOTAL ASSETS</b>	<b>\$ 394,956</b>	<b>535,943</b>	<b>930,899</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	292,993	292,993
Deferred revenue:			
Succeeding year property tax	-	240,534	240,534
Total liabilities	-	533,527	533,527
Fund balances:			
Restricted for:			
School infrastructure	394,956	-	394,956
Physical plant and equipment	-	2,416	2,416
Total fund balances	394,956	2,416	397,372
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 394,956</b>	<b>535,943</b>	<b>930,899</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 408,468	231,381	639,849
Other	5,267	5,300	10,567
State sources	-	191	191
Total revenues	<u>413,735</u>	<u>236,872</u>	<u>650,607</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	1,583	1,583
Operation and maintenance of plant	-	299,566	299,566
Transportation	-	88,895	88,895
Capital outlay	435,939	270,352	706,291
Total expenditures	<u>435,939</u>	<u>660,396</u>	<u>1,096,335</u>
Deficiency of revenues under expenditures	(22,204)	(423,524)	(445,728)
Other financing uses:			
Transfers out	(281,098)	-	(281,098)
Net change in fund balances	(303,302)	(423,524)	(726,826)
Fund balance beginning of year	698,258	425,940	1,124,198
Fund balance end of year	<u>\$ 394,956</u>	<u>2,416</u>	<u>397,372</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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund transfers	Balance End of Year
Athletics	\$ 11,128	51,132	51,125	(18,822)	(7,687)
Band - General	1,193	4,207	5,223	48	225
Four Year Trip	430	-	600	453	283
General Student Projects	1,371	-	924	-	447
Materials for Resale - Supplies	134	733	696	-	171
Elementary School Projects	2,200	147	218	-	2,129
Secondary School Projects	(9)	147	44	-	94
Summer Recreation	5,344	5,905	8,957	119	2,411
Class of 2011	834	-	-	-	834
Class of 2012	764	-	375	-	389
Class of 2013	(209)	780	999	833	405
Class of 2014	973	1,591	1,375	-	1,189
Class of 2015	1,640	-	200	24	1,464
Class of 2016	363	1,044	216	296	1,487
Class of 2017	1,239	740	399	(758)	822
Class of 2018	-	895	464	-	431
Student Senate	2,447	2,001	1,576	241	3,113
Pop Fund	1,024	11,472	11,351	120	1,265
Watch the Stars	516	4,018	4,061	95	568
Yearbook	5,639	3,420	6,041	100	3,118
Dramatics	1,068	370	341	-	1,097
Cheerleaders	1,216	4,181	2,965	(1,358)	1,074
Honor Society	834	879	999	31	745
Athletic Resale	76	69	-	110	255
Athletic Fundraiser	(5,412)	32,105	38,138	18,904	7,459
Interest Revenue	2,407	29	1,452	(436)	548
<b>Total</b>	<b>\$ 37,210</b>	<b>125,865</b>	<b>138,739</b>	<b>-</b>	<b>24,336</b>

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 TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,768,470	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	200,942	183,728	234,584	213,480	180,807	201,595	239,939	263,552	2,056,440	120,787
Other	206,219	285,258	264,174	207,735	225,187	264,417	296,698	835,888	699,027	715,021
State sources	2,662,372	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	226,391	291,309	295,062	509,846	231,019	154,596	171,291	139,492	174,619	98,709
<b>Total</b>	<b>\$ 6,064,394</b>	<b>5,815,035</b>	<b>6,017,290</b>	<b>5,430,441</b>	<b>5,018,510</b>	<b>5,063,873</b>	<b>4,965,081</b>	<b>4,929,754</b>	<b>6,383,925</b>	<b>4,160,957</b>
Expenditures:										
Instruction:										
Regular	\$ 2,129,650	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	583,408	657,536	525,265	673,534	623,383	448,878	291,846	331,681	424,909	430,792
Other	688,514	624,957	627,557	534,244	482,748	492,983	530,123	478,949	351,550	380,620
Support services:										
Student	85,280	79,877	76,994	97,849	133,320	109,809	85,424	85,233	122,143	115,367
Instructional staff	164,041	145,618	184,380	139,512	130,833	125,191	153,019	123,073	112,532	74,093
Administration	495,516	495,954	483,889	523,291	502,298	495,673	484,621	484,893	496,468	540,053
Operation and maintenance										
of plant	727,155	420,371	396,763	412,631	435,919	482,796	442,855	382,826	367,952	337,653
Transportation	326,035	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	706,291	1,865,111	3,922,744	76,705	18,180	4,453	40,749	-	8,572	8,750
Long-term debt:										
Principal	220,000	215,000	225,000	-	325,000	1,090,000	335,000	315,000	327,281	338,444
Interest	204,885	211,695	199,557	-	8,968	51,575	69,614	87,214	113,458	122,310
Other expenditures:										
AEA flow-through	198,213	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	-	-	-	-	-
<b>Total</b>	<b>\$ 6,528,988</b>	<b>7,303,733</b>	<b>9,430,873</b>	<b>4,927,807</b>	<b>5,291,162</b>	<b>5,657,566</b>	<b>4,703,099</b>	<b>4,461,620</b>	<b>4,387,139</b>	<b>4,533,301</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2014.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

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-13 to I-D-13 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

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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, 2013 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

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

#### Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2014  
Newton, Iowa

DUNKERTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, and posting.
- 4) Disbursements - purchase order processing, check preparation, and recording.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) School lunch program - recording, journalizing, posting, purchase order processing, check preparation, mailing and recording.

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

Response - The District has reviewed office assigned duty procedures. With the purchase of new software and a part-time office hire, fund administrators have shifted and assigned shared office employee responsibilities for better internal control of district receipts and payables. Office employees are now cross-trained/share responsibilities in accounting procedures. The District will continue to look into ways to segregate duties where possible given the limited number of employees.

Conclusion - Response accepted.

I-B-13 Checks written to Petty Cash - We noted during our audit that the District writes checks to “Petty Cash” to use as startup cash for gates at District events.

Recommendation - Checks written to “Petty Cash” are bearer paper and can be cashed by anyone in the event the check would be lost. A better procedure would be to write the check out to the custodian of the check and the bank.

Response - All checks written to “petty cash” are now written out to the custodian of the check and the bank.

Conclusion - Response accepted.

I-C-13 Grant Coding - We noted the District has several grants (Headstart/ drop out/ at risk/ Title VIA) that do not have expenses coded 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 - Administrators and Business Office personnel now meet regularly to monitor grant code assignments/receipts/quarterly expense reports. New software allows better coding/tracking of grant expenses as the year moves along. The addition of part-time accounts payable employee has also assisted in the tracking of expenses.

Conclusion - Response accepted.

I-D-13 Fundraiser Documentation - 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.

Recommendation - The District should review procedures in place for documenting purchases of sports apparel for fundraising purchases to ensure payment for ordered items. The issuance of receipts for the purchase of individual items would allow for a reconciliation of ordered items to cash collected.

Response - All activity coaches/advisors have been given instructions on correct fundraising & cash handling procedures, recording of all receipts, purchase requisitions and purchase order requirements. The activities director and the activities director’s secretary review all paperwork/count receipts submitted prior to turning over to business office for deposit/invoice payments

Conclusion - Response accepted.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 exceeded the certified amounts in the support services and other expenditures functional areas.

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

Response - The District will amend the budget per the Code of Iowa before expenditure are allowed to exceed the adopted budget.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements for public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 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-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we did note instances where the Board entered closed sessions during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa.

Recommendation - The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's Board Minutes.

Response - In the District's board minutes it now lists the specific exemption allowed under Chapter 21.5 of the Code of Iowa for entering a closed session.

Conclusion - Response accepted.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Financial Condition - The District had a deficit account in the Special Revenue, Student Activity Fund totaling \$7,687 at June 30, 2013.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit. 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 this account.

Response - District Activities Director, Secretary and Superintendent will review all Activity Fund purchases prior to approval. Fund Administrators have discussed possible additional ways to generate revenue for the deficit account in the Activity Fund.

Conclusion - Response accepted.

II-M-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	698,258
Revenues:			
Sales tax revenues	\$	408,468	
Other local revenues		<u>5,267</u>	<u>413,735</u>
			1,111,993
Expenditures/transfers out:			
School infrastructure Construction		435,939	
Transfers to other funds:			
Debt service fund		<u>281,098</u>	<u>717,037</u>
			<u>\$ 394,956</u>

For the year ended June 30, 2013 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-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Questionable Accounts:** We noted during our audit that the Student Activity Fund has a several old graduated class accounts, 2011 and 2012, with balances still on the District's books as of June 30, 2013.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified according to the class wishes. Unused funds are to remain in the student activity fund and should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the Graduate Class Contributions account should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - Funds within Class of 2011 account have been cleared. The District is waiting on approval from the District's Board of Directors as what will be done with the remaining balances in the Class of 2012 and 2013 accounts. The Class of 2014 has plan in place following payment of all graduation expenses.

Conclusion - Response accepted.

**Questionable Revenues and Expenses:** We also noted a Watching the Stars account in the Student Activity Fund. This fund handled revenues and expenditures related to the Book Fairs ran by the District's library. The proceeds from the book fairs were used to buy library books. This account appears to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Watching the Stars account appears to be instructional in nature and would be more appropriate in the General Fund.

Response - All instructional revenue and expense accounts related to the "Watch the Stars" account within the Activity Fund have been moved to the General Fund.

Conclusion - Response accepted.