



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ January 27, 2010

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Auditor of State David A. Vaudt today released an audit report on Dunkerton Community School District in Dunkerton, Iowa.

The District's revenues totaled \$5,269,000 for the year ended June 30, 2009, a less than one percent decrease from the prior year. Revenues included \$1,561,819 in local tax, charges for service of \$462,178, operating grants, contributions and restricted interest of \$851,133, statewide sales and services tax of \$479,592, income surtax of \$156,416, unrestricted state grants and contributions of \$1,666,524, unrestricted interest of \$41,670 and other general revenues of \$49,668.

Expenses for District operations totaled \$5,347,904, a 10 percent increase over the prior year. Expenses included \$3,287,735 for instruction, \$1,450,870 for support services and \$382,904 for other expenditures.

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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DUNKERTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2008 Election)		
Mark Brandes	President	2010
Jerry Sires	Vice President	2008
Joe Stafford	Board Member	2008
Tony Gamerdinger	Board Member	2009
Alen Nagel	Board Member	2009
(After September 2008 Election)		
Mark Brandes	President	2009 *
Alen Nagel	Vice President	2009
Tony Gamerdinger	Board Member	2009
Joe Stafford	Board Member	2011
Chris Gibson	Board Member	2011
School Officials		
Jim Stanton	Superintendent	2009
Beth Weepie	District Secretary/Treasurer and Business Manager	2009
Elizabeth Grob	Attorney	2009

* Board term shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

Dunkerton Community School District



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Independent Auditor's Report

To the Board of Education of
Dunkerton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District, Dunkerton Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

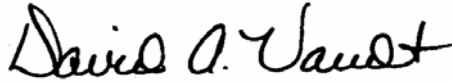
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2010 on our consideration of Dunkerton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District's basic financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which immediately follow this section. During fiscal year 2009, beginning net assets for governmental activities were restated (increased) \$171,985 to correct errors in reporting prior year local option sales and services tax and income surtax receivables and reclassify certain accounts previously reported in the Special Revenue, Student Activity Fund as Agency Funds. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2008 amounts have been revised to reflect the change as if they had been made in the prior year.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,081,248 in fiscal 2008 to \$4,134,210 in fiscal 2009, while General Fund expenditures increased from \$4,219,837 in fiscal 2008 to \$4,517,608 in fiscal 2009. The District's General Fund balance decreased from \$791,013 at the end of fiscal 2008 to \$398,115 at the end of fiscal 2009, a 49.7% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue in fiscal 2009. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits expenditures.
- One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal 2009. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- The District's solvency ratio decreased from 19.0% at June 30, 2008 to 9.2% at June 30, 2009. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dunkerton Community School District's operations in more detail than the government-wide statements by providing information about the most significant

funds. The remaining statements provide financial information about activities for which Dunkerton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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

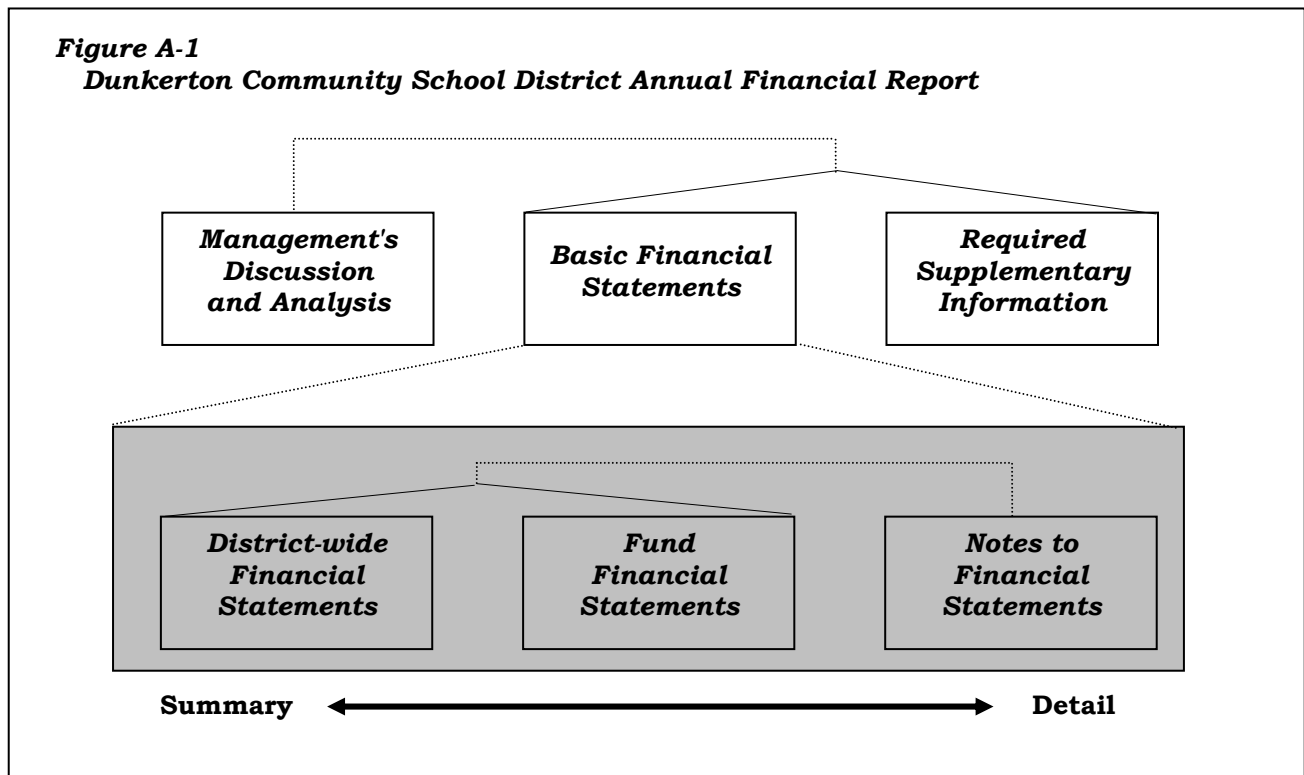


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, day care and building trades class	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition, daycare and building trades class programs are 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for 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 three Enterprise Funds, the School Nutrition Fund, the Latchkey Fund and the Building Trades Class Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets 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.
- Agency Funds – These are funds through which the District administers and accounts for funds held on behalf of outside organizations.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 3,520	3,058	104	89	3,624	3,147	15.2%
Capital assets	3,739	3,899	30	39	3,769	3,938	-4.3%
Total assets	<u>7,259</u>	<u>6,957</u>	<u>134</u>	<u>128</u>	<u>7,393</u>	<u>7,085</u>	<u>4.3%</u>
Long-term liabilities	-	325	-	-	-	325	-100.0%
Other liabilities	2,195	1,482	2	2	2,197	1,484	48.0%
Total liabilities	<u>2,195</u>	<u>1,807</u>	<u>2</u>	<u>2</u>	<u>2,197</u>	<u>1,809</u>	<u>21.4%</u>
Net assets:							
Invested in capital assets	3,739	3,574	30	39	3,769	3,613	4.3%
Restricted	787	663	-	-	787	663	18.7%
Unrestricted	538	913	102	87	640	1,000	-36.0%
Total net assets	<u>\$ 5,064</u>	<u>5,150</u>	<u>132</u>	<u>126</u>	<u>5,196</u>	<u>5,276</u>	<u>-1.5%</u>

The District's combined net assets decreased 1.5%, or approximately \$79,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$124,000, or 19%, over the prior year. The increase was primarily a result of increases in the fund balances of the Special Revenue, Management Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$360,000, or 36%. This reduction in unrestricted net assets was primarily a result of increased expenditures in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service	\$ 327	345	134	119	461	464	-0.6%
Operating grants, contributions and restricted interest	756	623	95	86	851	709	20.0%
General revenues:							
Property tax	1,562	1,439	-	-	1,562	1,439	8.5%
Income surtax	156	137	-	-	156	137	13.9%
Statewide sales and services tax	480	545	-	-	480	545	-11.9%
Unrestricted state grants	1,667	1,904	-	-	1,667	1,904	-12.4%
Unrestricted investment earnings	41	85	1	2	42	87	-51.7%
Other	49	33	-	-	49	33	48.5%
Total revenues	<u>5,038</u>	<u>5,111</u>	<u>230</u>	<u>207</u>	<u>5,268</u>	<u>5,318</u>	<u>-0.9%</u>
Program expenses:							
Governmental activities:							
Instruction	3,288	3,043	2	1	3,290	3,044	8.1%
Support services	1,451	1,362	-	-	1,451	1,362	6.5%
Non-instructional programs	-	-	224	223	224	223	0.4%
Other expenses	383	216	-	-	383	216	77.3%
Total expenses	<u>5,122</u>	<u>4,621</u>	<u>226</u>	<u>224</u>	<u>5,348</u>	<u>4,845</u>	<u>10.4%</u>
Increase (decrease) in net assets before transfers	(84)	490	4	(17)	(80)	473	-116.9%
Transfers	(2)	-	2	-	-	-	-
Increase (decrease) in net assets	(86)	490	6	(17)	(80)	473	-116.9%
Net assets beginning of year, as restated	<u>5,150</u>	<u>4,660</u>	<u>126</u>	<u>143</u>	<u>5,276</u>	<u>4,803</u>	<u>9.8%</u>
Net assets end of year	<u>\$ 5,064</u>	<u>5,150</u>	<u>132</u>	<u>126</u>	<u>5,196</u>	<u>5,276</u>	<u>-1.5%</u>

In fiscal 2009, property tax and unrestricted state grants account for 64.1% of the revenue for governmental activities while charges for service and operating grants and contributions account for 99.6% of the revenue for business type activities.

The District's total revenues were approximately \$5.3 million, of which approximately \$5.0 million was for governmental activities and approximately \$232,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.9% decrease in revenues and a 10.4% increase in expenses. Property tax increased approximately \$123,000, operating grants increased approximately \$142,000 and unrestricted state grants decreased approximately \$238,000. The increases in expenses related to increases in the negotiated salaries and benefits and the payment made to refund debt service taxes levied in error.

Governmental Activities

Revenues for governmental activities were \$5,037,979 and expenses were \$5,121,509 for the year ended June 30, 2009. In a difficult budget year, the District used carryover balances to offset the excess of expenses over available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-2009			2008-2009
Instruction	\$ 3,288	3,043	8.1%	2,450	2,089	17.3%
Support services	1,451	1,362	6.5%	1,376	1,348	2.1%
Other expenses	383	216	77.3%	212	216	-1.8%
Total	\$ 5,122	4,621	10.8%	4,038	3,653	10.5%

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$327,295.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$755,928.
- The net cost of governmental activities was financed with \$2,197,827 in property and other taxes, including income surtax and statewide sales and services tax, and \$1,666,524 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$231,021, representing an 11.1% increase over the prior year, while expenses totaled \$226,059, a 1.3% increase over the prior year. The District’s business type activities include the School Nutrition Fund, Latchkey Fund and Building Trades Class Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased meal prices for elementary student lunches only. This increase resulted in increased revenue to the School Nutrition Fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, 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 \$1,169,089, a decrease of \$272,152 compared to last year’s ending fund balances of \$1,441,241. The decrease is due to a decrease of the General Fund balance by 49.7% as stated in the 2009 Financial Highlights.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District’s increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$791,013 to \$398,115, due in part to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Debt Service Fund has a zero balance at the end of fiscal 2009. The District made the final payment on the local option sales tax revenue bonds. The District also refunded \$187,641 to Black Hawk and Bremer Counties for debt service property tax levied in error.

- The Capital Projects Fund balance increased from \$371,231 at the end of fiscal 2008 to \$483,019 at the end of fiscal 2009. Although statewide sales and services tax revenues decreased, transfers to the Debt Service Fund for revenue bond payments decreased as the final bond payment was made in fiscal 2009.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$53,214 at June 30, 2008 to \$58,651 at June 30, 2009, representing an increase of approximately 10%. For fiscal 2009, the District increased elementary student lunch prices, resulting in the increase in revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Dunkerton Community School District amended its budget one time to reflect additional expenditures associated with regular instruction.

The District’s total revenues were \$101,368 less than total budgeted revenues, a variance of 1.9%. Even though federal revenue increased in fiscal 2009, a reduction in state resources caused the state sources received to be \$110,753 less than originally anticipated.

Total expenditures were \$573,841 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 instruction function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested approximately \$3.8 million, 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 represents a net decrease of 4.3% from last year. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$144,125 for governmental and business type activities.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 10	10	-	-	10	10	0.0%
Buildings	3,409	3,546	-	-	3,409	3,546	-3.9%
Improvements other than buildings	81	85	-	-	81	85	-4.7%
Furniture and equipment	239	258	30	39	269	297	-9.4%
Total	\$ 3,739	3,899	30	39	3,769	3,938	-4.3%

The original cost of the District’s capital assets was approximately \$8.7 million. Governmental funds account for approximately \$8.6 million, with the remainder of approximately \$0.1 million accounted for in the proprietary funds.

Long-Term Debt

At June 30, 2009, the District had no long-term debt outstanding due to the final payment of \$325,000 on the revenue bonds made during the year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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 Beth Weepie, District Secretary/Treasurer and Business Manager, Dunkerton Community School District, 509 S. Canfield, Dunkerton, Iowa, 50626.

Dunkerton Community School District

Basic Financial Statements

Dunkerton Community School District

Dunkerton Community School District

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,695,523	124,779	1,820,302
Receivables:			
Property tax:			
Delinquent	30,236	-	30,236
Succeeding year	1,506,000	-	1,506,000
Accounts	-	216	216
Income surtax	156,416	-	156,416
Due from other funds	27,694	(27,694)	-
Due from other governments	105,087	-	105,087
Inventories	-	7,131	7,131
Capital assets, net of accumulated depreciation	3,738,502	30,154	3,768,656
Total assets	7,259,458	134,586	7,394,044
Liabilities			
Accounts payable	82,725	-	82,725
Salaries and benefits payable	419,085	-	419,085
Due to other governments	187,641	-	187,641
Deferred revenue:			
Succeeding year property tax	1,506,000	-	1,506,000
Other	-	2,314	2,314
Total liabilities	2,195,451	2,314	2,197,765
Net assets			
Invested in capital assets	3,738,502	30,154	3,768,656
Restricted for:			
Management levy	123,018	-	123,018
Physical plant and equipment levy	89,234	-	89,234
Capital projects	483,019	-	483,019
Categorical funding	16,005	-	16,005
Other special revenue purposes	75,703	-	75,703
Unrestricted	538,526	102,118	640,644
Total net assets	\$ 5,064,007	132,272	5,196,279

See notes to financial statements.

Dunkerton Community School District

Statement of Net Assets

June 30, 2009

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,165,821	163,749	443,127
Special instruction	623,383	45,210	67,126
Other instruction	498,531	117,044	1,760
	<u>3,287,735</u>	<u>326,003</u>	<u>512,013</u>
Support services:			
Student	140,271	-	49,073
Instructional staff	130,833	-	16,540
Administration	499,690	-	-
Operation and maintenance of plant	477,673	1,292	-
Transportation	202,403	-	7,213
	<u>1,450,870</u>	<u>1,292</u>	<u>72,826</u>
Other expenditures:			
Facilities acquisition	18,180	-	-
Long-term debt interest	5,994	-	-
AEA flowthrough	171,089	-	171,089
Refund of prior year tax	187,641	-	-
	<u>382,904</u>	<u>-</u>	<u>171,089</u>
Total governmental activities	<u>5,121,509</u>	<u>327,295</u>	<u>755,928</u>
Business type activities:			
Instruction:			
Other instruction:			
Building trades class	1,700	-	-
Non-instructional programs:			
Food service operations	218,785	128,084	95,205
Latchkey operations	5,910	6,799	-
Total business type activities	<u>226,395</u>	<u>134,883</u>	<u>95,205</u>
Total	<u>\$ 5,347,904</u>	<u>462,178</u>	<u>851,133</u>
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales and services tax			
Income surtax			
Unrestricted state grants and contributions			
Unrestricted investment earnings			
Other			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets beginning of year, as restated			
Net assets end of year			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,558,945)	-	(1,558,945)
(511,047)	-	(511,047)
(379,727)	-	(379,727)
(2,449,719)	-	(2,449,719)
(91,198)	-	(91,198)
(114,293)	-	(114,293)
(499,690)	-	(499,690)
(476,381)	-	(476,381)
(195,190)	-	(195,190)
(1,376,752)	-	(1,376,752)
(18,180)	-	(18,180)
(5,994)	-	(5,994)
-	-	-
(187,641)	-	(187,641)
(211,815)	-	(211,815)
(4,038,286)	-	(4,038,286)
-	(1,700)	(1,700)
-	4,504	4,504
-	889	889
-	3,693	3,693
(4,038,286)	3,693	(4,034,593)
\$ 1,436,465	-	1,436,465
12,339	-	12,339
113,015	-	113,015
479,592	-	479,592
156,416	-	156,416
1,666,524	-	1,666,524
40,737	933	41,670
49,668	-	49,668
(2,000)	2,000	-
3,952,756	2,933	3,955,689
(85,530)	6,626	(78,904)
5,149,537	125,646	5,275,183
\$ 5,064,007	132,272	5,196,279

Dunkerton Community School District

Balance Sheet
Governmental Funds

June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 843,026	153,569	415,713	283,215	1,695,523
Receivables:					
Property tax:					
Delinquent	25,260	236	-	4,740	30,236
Succeeding year	1,276,000	-	-	230,000	1,506,000
Income surtax	156,416	-	-	-	156,416
Due from other funds	-	33,836	27,694	-	61,530
Due from other governments	31,639	-	73,448	-	105,087
Total assets	\$ 2,332,341	187,641	516,855	517,955	3,554,792
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 82,725	-	-	-	82,725
Salaries and benefits payable	419,085	-	-	-	419,085
Due to other governments	-	187,641	-	-	187,641
Due to other funds	-	-	33,836	-	33,836
Deferred revenue:					
Succeeding year property tax	1,276,000	-	-	230,000	1,506,000
Other	156,416	-	-	-	156,416
Total liabilities	1,934,226	187,641	33,836	230,000	2,385,703
Fund balances:					
Reserved for categorical funding	16,005	-	-	-	16,005
Unreserved	382,110	-	483,019	287,955	1,153,084
Total fund balances	398,115	-	483,019	287,955	1,169,089
Total liabilities and fund balances	\$ 2,332,341	187,641	516,855	517,955	3,554,792

See notes to financial statements.

Dunkerton Community School District

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (page 22)	\$ 1,169,089
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,738,502
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	<u>156,416</u>
Net assets of governmental activities (page 19)	<u><u>\$ 5,064,007</u></u>

See notes to financial statements.

Exhibit E

Dunkerton Community School District

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,440,307	12,339	479,592	246,120	2,178,358
Tuition	180,807	-	-	-	180,807
Other	79,153	-	-	146,034	225,187
State sources	2,202,924	10	-	205	2,203,139
Federal sources	231,019	-	-	-	231,019
Total revenues	4,134,210	12,349	479,592	392,359	5,018,510
Expenditures:					
Current:					
Instruction:					
Regular	2,005,643	-	-	42,709	2,048,352
Special	623,383	-	-	-	623,383
Other	381,454	-	-	101,294	482,748
	3,010,480	-	-	144,003	3,154,483
Support services:					
Student	133,320	-	-	-	133,320
Instructional staff	130,833	-	-	-	130,833
Administration	502,298	-	-	-	502,298
Operation and maintenance of plant	397,575	-	-	38,344	435,919
Transportation	172,013	-	-	51,418	223,431
	1,336,039	-	-	89,762	1,425,801
Other expenditures:					
Facilities acquisition	-	-	-	18,180	18,180
Long-term debt:					
Principal	-	325,000	-	-	325,000
Interest and fiscal charges	-	8,968	-	-	8,968
AEA flowthrough	171,089	-	-	-	171,089
Refund of prior year tax	-	187,641	-	-	187,641
	171,089	521,609	-	18,180	710,878
Total expenditures	4,517,608	521,609	-	251,945	5,291,162
Excess (deficiency) of revenues over (under) expenditures	(383,398)	(509,260)	479,592	140,414	(272,652)
Other financing sources (uses):					
Proceeds from sale of equipment	2,500	-	-	-	2,500
Operating transfers in	-	437,308	-	10,000	447,308
Operating transfers out	(12,000)	-	(367,804)	(69,504)	(449,308)
Total other financing sources (uses)	(9,500)	437,308	(367,804)	(59,504)	500
Net change in fund balances	(392,898)	(71,952)	111,788	80,910	(272,152)
Fund balances beginning of year, as restated	791,013	71,952	371,231	207,045	1,441,241
Fund balances end of year	\$ 398,115	-	483,019	287,955	1,169,089

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, 2009

Net change in fund balances - total governmental funds (page 24) \$ (272,152)

***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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 79,727	
Depreciation expense	<u>(135,567)</u>	(55,840)

In the Statement of Activities, the loss on the disposal of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (104,981)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 19,469

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 325,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,974

Change in net assets of governmental activities (page 21) \$ (85,530)

See notes to financial statements.

Dunkerton Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2009

	<u>Nonmajor Enterprise</u>
Assets	
Cash and cash equivalents	\$ 124,779
Accounts receivable	216
Inventories	7,131
Capital assets, net of accumulated depreciation	30,154
Total assets	<u>162,280</u>
Liabilities	
Due to other funds	27,694
Unearned revenue	2,314
Total liabilities	<u>30,008</u>
Net Assets	
Invested in capital assets	30,154
Unrestricted	102,118
Total net assets	<u>\$ 132,272</u>

See notes to financial statements.

Dunkerton Community School District

Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>Nonmajor Enterprise</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 134,883
Operating expenses:	
Instruction:	
Other	
Supplies	<u>1,700</u>
Non-instructional programs:	
Food service operations:	
Salaries	79,342
Benefits	10,935
Purchased services	2,658
Supplies	116,956
Depreciation	<u>8,558</u>
	<u>218,449</u>
Latchkey operations:	
Salaries	4,963
Benefits	624
Supplies	<u>323</u>
	<u>5,910</u>
Total operating expenses	<u>226,059</u>
Operating loss	<u>(91,176)</u>
Non-operating revenues (expenses):	
State sources	2,509
Federal sources	92,696
Interest income	933
Loss on disposal of capital assets	<u>(336)</u>
Total non-operating revenues	<u>95,802</u>
Income before transfers	4,626
Transfers in	<u>2,000</u>
Increase in net assets	6,626
Net assets beginning of year	<u>125,646</u>
Net assets end of year	<u>\$ 132,272</u>

See notes to financial statements.

Exhibit I

Dunkerton Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 128,327
Cash received from other customers and users	6,799
Cash paid to employees for services	(97,576)
Cash paid to suppliers for goods or services	(109,153)
Net cash used by operating activities	<u>(71,603)</u>
Cash flows from non-capital financing activities:	
State grants received	2,509
Federal grants received	79,369
Operating transfers in	2,000
Net cash provided by non-capital financing activities	<u>83,878</u>
Cash flows from investing activities:	
Interest on investments	933
Net increase in cash and cash equivalents	13,208
Cash and cash equivalents beginning of year	111,571
Cash and cash equivalents end of year	<u>\$ 124,779</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (91,176)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,327
Depreciation	8,558
(Increase) in inventories	(843)
Decrease in accounts receivable	243
(Decrease) in accounts payable	(1,712)
Net cash used by operating activities	<u>\$ (71,603)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2009, the District received \$13,327 of federal commodities.

See notes to financial statements.

Dunkerton Community School District

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 12,415	18,073
Liabilities		
Trust payable	-	18,073
Net assets		
Reserved for scholarships	\$ 12,415	-

See notes to financial statements.

Exhibit K

Dunkerton Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2009

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,500
Interest income	493
Total additions	<u>1,993</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,994</u>
Change in net assets	(1)
Net assets beginning of year	<u>12,416</u>
Net assets end of year	<u><u>\$ 12,415</u></u>

See notes to financial statements.

Dunkerton Community School District

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Black Hawk County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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 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.

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 revenues 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 expenditures, including instructional, support and other costs.

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

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

The District reports the following nonmajor proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from 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 Funds 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 Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund and Building Trades Class equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

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 Assets.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Enterprise: School Nutrition	\$ 27,694
Debt Service	Capital Projects	<u>33,836</u>
Total		<u>\$ 61,530</u>

The Enterprise, School Nutrition Fund owes the Capital Projects Fund for equipment purchased in a prior year. The balance will be repaid when funds are available.

The Capital Projects Fund owes the Debt Service Fund to eliminate a negative fund balance to allow closing the Debt Service Fund since the revenue bonds have been redeemed.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Student Activity	General	\$ 10,000
Debt Service	Capital Projects Special Revenue: Physical Plant and Equipment Levy	367,804 69,504
Enterprise: Latchkey	General	<u>2,000</u>
Total		<u>\$ 449,308</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 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
Total capital assets not being depreciated	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	6,416,229	-	(77,065)	6,339,164
Improvements other than buildings	337,820	-	-	337,820
Furniture and equipment	2,125,803	79,727	(294,548)	1,910,982
Total capital assets being depreciated	8,879,852	79,727	(371,613)	8,587,966
Less accumulated depreciation for:				
Buildings	2,870,240	84,338	(24,820)	2,929,758
Improvements other than buildings	252,855	4,677	-	257,532
Furniture and equipment	1,867,434	46,552	(241,812)	1,672,174
Total accumulated depreciation	4,990,529	135,567	(266,632)	4,859,464
Total capital assets being depreciated, net	3,889,323	(55,840)	(104,981)	3,728,502
Governmental activities capital assets, net	\$ 3,899,323	(55,840)	(104,981)	3,738,502
Business type activities:				
Furniture and equipment	\$ 106,105	-	(916)	105,189
Less accumulated depreciation	67,057	8,558	(580)	75,035
Business type activities capital assets, net	\$ 39,048	(8,558)	(336)	30,154

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 87,780
Other	6,951
Support services:	
Administration	4,339
Operation and maintenance of plant	4,027
Transportation	32,470
Total depreciation expense - governmental activities	\$ 135,567
Business type activities:	
Food service operations	\$ 8,558

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 325,000	-	325,000	-	-

During the year ended June 30, 2009, the District made principal and interest payments totaling \$333,968 to fully repay the bonds.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$173,769, \$154,277 and \$124,058, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(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 \$171,089 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Erroneous Debt Service Levy

For the years ended June 30, 2006 through June 30, 2009, the District erroneously certified a debt service levy and received property tax collections for a revenue bond obligation. The erroneous certification resulted in a \$187,641 overpayment of property tax by Black Hawk and Bremer County taxpayers. In August 2009, the District repaid \$186,372 and \$1,269 to the Black Hawk and Bremer County Treasurers, respectively, to be refunded to taxpayers. At June 30, 2009, the refund amounts are included as a liability, due to other governments, in the Debt Service Fund.

(11) Restatements and Reclassifications

The beginning fund balance for the Capital Projects Fund has been restated to correct errors in reporting local option sales and services tax receivable. The restatement increased the beginning fund balance as follows:

	<u>Capital Projects Fund</u>
Fund balance June 30, 2008, as previously reported	\$ 332,928
Local option sales and service tax receivable not previously reported	<u>38,303</u>
Fund balance July 1, 2008, as restated	<u>\$ 371,231</u>

The beginning fund balance for the nonmajor Special Revenue, Student Activity Fund has been restated to reclassify certain student activity accounts as Agency Funds. The restatement decreased the beginning fund balance as follows:

	<u>Student Activity Fund</u>
Fund balance June 30, 2008, as previously reported	\$ 52,077
Accounts reclassified as Agency Funds	<u>(3,265)</u>
Fund balance July 1, 2008, as restated	<u>\$ 48,812</u>

Beginning net assets for governmental activities has been restated to correct errors in reporting prior year local option sales and services tax and income surtax receivables and to reclassify certain student activity accounts as Agency Funds. The restatement increased beginning net assets as follows:

	<u>Government Activities Net Assets</u>
Net assets June 30, 2008, as previously reported	\$ 4,977,552
Local option sales and service tax receivable not previously reported	38,303
Income surtax receivable not previously reported	136,947
Student activity accounts reclassified as Agency Funds	<u>(3,265)</u>
Net assets July 1, 2008, as restated	<u>\$ 5,149,537</u>

Dunkerton Community School District

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 Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 2,584,352	135,816	2,720,168
State sources	2,203,139	2,509	2,205,648
Federal sources	231,019	92,696	323,715
Total revenues	<u>5,018,510</u>	<u>231,021</u>	<u>5,249,531</u>
Expenditures/Expenses:			
Instruction	3,154,483	1,700	3,156,183
Support services	1,425,801	-	1,425,801
Non-instructional programs	-	224,695	224,695
Other expenditures	710,878	-	710,878
Total expenditures/expenses	<u>5,291,162</u>	<u>226,395</u>	<u>5,517,557</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(272,652)	4,626	(268,026)
Other financing sources, net	500	2,000	2,500
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(272,152)	6,626	(265,526)
Balances beginning of year, as restated	<u>1,441,241</u>	<u>125,646</u>	<u>1,566,887</u>
Balances end of year	<u>\$ 1,169,089</u>	<u>132,272</u>	<u>1,301,361</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance
Original	Final	
2,794,498	2,794,498	(74,330)
2,316,401	2,316,401	(110,753)
240,000	240,000	83,715
5,350,899	5,350,899	(101,368)
2,965,000	3,000,000	(156,183)
1,703,251	1,668,251	242,450
538,036	538,036	313,341
885,111	885,111	174,233
6,091,398	6,091,398	573,841
(740,499)	(740,499)	472,473
-	-	2,500
(740,499)	(740,499)	474,973
1,776,780	1,776,780	(209,893)
1,036,281	1,036,281	265,080

Dunkerton Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 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, reallocating \$35,000 of budgeted expenditures.

During the year ended June 30, 2009, expenditures in the instruction function exceeded the amount budgeted.

Other Supplementary Information

Dunkerton Community School District

Dunkerton Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 120,439	75,703	87,073	283,215
Receivables:				
Property tax:				
Delinquent	2,579	-	2,161	4,740
Succeeding year	122,000	-	108,000	230,000
Total assets	\$ 245,018	75,703	197,234	517,955
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	122,000	-	108,000	230,000
Unreserved fund balances	123,018	75,703	89,234	287,955
Total liabilities and fund balances	\$ 245,018	75,703	197,234	517,955

See accompanying independent auditor's report.

Schedule 2

Dunkerton Community School District
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 133,105	-	113,015	246,120
Other	8,567	118,185	19,282	146,034
State sources	111	-	94	205
Total revenues	<u>141,783</u>	<u>118,185</u>	<u>132,391</u>	<u>392,359</u>
Expenditures:				
Current:				
Instruction:				
Regular	42,709	-	-	42,709
Other	-	101,294	-	101,294
Support services:				
Operation and maintenance of plant	28,723	-	9,621	38,344
Transportation	6,522	-	44,896	51,418
Other expenditures:				
Facilities acquisition	-	-	18,180	18,180
Total expenditures	<u>77,954</u>	<u>101,294</u>	<u>72,697</u>	<u>251,945</u>
Excess of revenues over expenditures	<u>63,829</u>	<u>16,891</u>	<u>59,694</u>	<u>140,414</u>
Other financing sources (uses):				
Operating transfers in	-	10,000	-	10,000
Operating transfers out	-	-	(69,504)	(69,504)
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>(69,504)</u>	<u>(59,504)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	63,829	26,891	(9,810)	80,910
Fund balances beginning of year, as restated	<u>59,189</u>	<u>48,812</u>	<u>99,044</u>	<u>207,045</u>
Fund balances end of year	<u>\$ 123,018</u>	<u>75,703</u>	<u>89,234</u>	<u>287,955</u>

See accompanying independent auditor's report.

Dunkerton Community School District

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2009

	School Nutrition	Latchkey	Building Trades Class	Total
Assets				
Cash and cash equivalents	\$ 51,158	1,177	72,444	124,779
Accounts receivable	216	-	-	216
Inventories	7,131	-	-	7,131
Capital assets, net of accumulated depreciation	30,154	-	-	30,154
Total assets	88,659	1,177	72,444	162,280
Liabilities				
Due to other funds	27,694	-	-	27,694
Unearned revenue	2,314	-	-	2,314
Total liabilities	30,008	-	-	30,008
Net Assets				
Invested in capital assets	30,154	-	-	30,154
Unrestricted	28,497	1,177	72,444	102,118
Total net assets	\$ 58,651	1,177	72,444	132,272

See accompanying independent auditor's report.

Schedule 4

Dunkerton Community School District

Combining Schedule of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Proprietary Funds

Year ended June 30, 2009

	School Nutrition	Latchkey	Building Trades Class	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 128,084	6,799	-	134,883
Operating expenses:				
Instruction:				
Other:				
Supplies	-	-	1,700	1,700
Non-instructional programs:				
Food service operations:				
Salaries	79,342	-	-	79,342
Benefits	10,935	-	-	10,935
Purchased services	2,658	-	-	2,658
Supplies	116,956	-	-	116,956
Depreciation	8,558	-	-	8,558
	218,449	-	-	218,449
Latchkey operations:				
Salaries	-	4,963	-	4,963
Benefits	-	624	-	624
Supplies	-	323	-	323
	-	5,910	-	5,910
Total operating expenses	218,449	5,910	1,700	226,059
Operating income (loss)	(90,365)	889	(1,700)	(91,176)
Non-operating revenues (expenses):				
State sources	2,509	-	-	2,509
Federal sources	92,696	-	-	92,696
Interest income	933	-	-	933
Loss on disposal of capital assets	(336)	-	-	(336)
Total non-operating revenues	95,802	-	-	95,802
Income (loss) before transfers	5,437	889	(1,700)	4,626
Transfers in	-	2,000	-	2,000
Increase (decrease) in net assets	5,437	2,889	(1,700)	6,626
Net assets beginning of year	53,214	(1,712)	74,144	125,646
Net assets end of year	\$ 58,651	1,177	72,444	132,272

See accompanying independent auditor's report.

Dunkerton Community School District

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2009

	School Nutrition	Latchkey	Building Trades Class	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 128,327	-	-	128,327
Cash received from other customers and users	-	6,799	-	6,799
Cash paid to employees for services	(90,277)	(7,299)	-	(97,576)
Cash paid to suppliers for goods or services	(107,130)	(323)	(1,700)	(109,153)
Net cash used by operating activities	(69,080)	(823)	(1,700)	(71,603)
Cash flows from non-capital financing activities:				
State grants received	2,509	-	-	2,509
Federal grants received	79,369	-	-	79,369
Operating transfer in	-	2,000	-	2,000
Net cash provided by non-capital financing activities	81,878	2,000	-	83,878
Cash flows from investing activities:				
Interest on investments	933	-	-	933
Net increase (decrease) in cash and cash equivalents	13,731	1,177	(1,700)	13,208
Cash and cash equivalents beginning of year	37,427	-	74,144	111,571
Cash and cash equivalents end of year	\$ 51,158	1,177	72,444	124,779
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (90,365)	889	(1,700)	(91,176)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Commodities used	13,327	-	-	13,327
Depreciation	8,558	-	-	8,558
(Increase) in inventories	(843)	-	-	(843)
Decrease in accounts receivable	243	-	-	243
(Decrease) in accounts payable	-	(1,712)	-	(1,712)
Net cash used by operating activities	\$ (69,080)	(823)	(1,700)	(71,603)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2009, the District received \$13,327 of federal commodities.

See accompanying independent auditor's report.

Schedule 6

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year, as restated	Revenues and Interfund Transfers	Expend- itures	Balance End of Year
Athletics	\$ 7,287	47,031	37,755	16,563
ACT Concession Stand	-	3,903	3,328	575
Marketing Class	-	278	145	133
Bakeshop	2,320	1,033	2,039	1,314
Materials for Resale - Industrial Arts	291	854	1,064	81
Band - General	(1,052)	10,351	7,396	1,903
Band - Resale	121	2,423	1,914	630
EWALU	22	2,212	1,879	355
Four Year Trip	15,071	12,306	5,341	22,036
General Student Projects	5,335	160	557	4,938
Materials for Resale - Supplies	214	430	15	629
Band/Chorus Trip	-	167	-	167
Music	-	343	343	-
Elementary School Projects	1,256	620	964	912
Secondary School Projects	(1,062)	444	382	(1,000)
Summer Recreation	(325)	4,140	3,601	214
High School Miscellaneous	478	17	-	495
Class of 2007	960	-	-	960
Class of 2008	543	-	-	543
Class of 2009	243	967	265	945
Class of 2010	363	-	335	28
Class of 2011	515	-	-	515
Class of 2012	538	504	288	754
Class of 2013	1,124	2,093	1,152	2,065
Class of 2014	-	1,008	612	396
Student Senate	655	1,685	1,940	400
Pop Fund	2,709	6,660	5,904	3,465
Fitness Center	-	745	248	497
Library Activities	1,097	8,119	9,154	62
Yearbook	1,302	5,954	4,704	2,552
Speech	-	242	242	-
Spanish Club	631	-	-	631
Dramatics	997	360	412	945
Cheerleaders	(1,055)	3,451	2,170	226
Honor Society	181	1,253	1,207	227
Athletic Resale	404	4,401	4,023	782
Athletic Fundraiser	4,257	2,889	1,915	5,231
Science Activities	(176)	-	-	(176)
DARE	355	-	-	355
Interest Revenue	3,213	1,142	-	4,355
Total	\$ 48,812	128,185	101,294	75,703

See accompanying independent auditor's report.

Dunkerton Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2009s

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 3,265	35,164	20,356	18,073
Liabilities				
Trusts payable	\$ 3,265	35,164	20,356	18,073

See accompanying independent auditor's report.

Schedule 8

Dunkerton Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,178,358	2,070,441	1,886,312	1,394,604	1,299,427	1,365,621
Tuition	180,807	201,595	239,939	263,552	205,640	120,787
Other	225,187	264,417	296,698	835,888	699,027	715,021
State sources	2,203,139	2,372,824	2,370,841	2,296,218	2,154,412	1,860,819
Federal sources	231,019	154,596	171,291	139,492	174,619	98,709
Total	<u>\$ 5,018,510</u>	<u>5,063,873</u>	<u>4,965,081</u>	<u>4,929,754</u>	<u>4,533,125</u>	<u>4,160,957</u>
Expenditures:						
Instruction:						
Regular	\$ 2,048,352	1,989,474	1,925,337	1,845,617	1,765,305	1,910,629
Special	623,383	448,878	291,846	331,681	424,909	430,792
Other	482,748	492,983	530,123	478,949	351,550	380,620
Support services:						
Student	133,320	109,809	85,424	85,233	122,143	115,367
Instructional staff	130,833	125,191	153,019	123,073	112,532	74,093
Administration	502,298	495,673	484,621	484,893	496,468	540,053
Operation and maintenance of plant	435,919	482,796	442,855	382,826	367,952	337,653
Transportation	223,431	197,528	182,233	176,020	133,758	133,933
Non-instructional programs	-	-	-	-	15,583	-
Other expenditures:						
Facilities acquisition	18,180	4,453	40,749	-	8,572	8,750
Long-term debt:						
Principal	325,000	1,090,000	335,000	315,000	327,281	338,444
Interest and other charges	8,968	51,575	69,614	87,214	113,458	122,310
AEA flowthrough	171,089	169,206	162,278	151,114	147,628	140,657
Refund of prior year tax	187,641	-	-	-	-	-
Total	<u>\$ 5,291,162</u>	<u>5,657,566</u>	<u>4,703,099</u>	<u>4,461,620</u>	<u>4,387,139</u>	<u>4,533,301</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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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
Dunkerton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Dunkerton Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Dunkerton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Dunkerton Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Dunkerton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

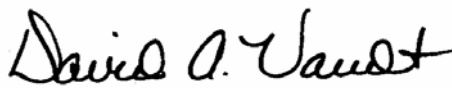
As part of obtaining reasonable assurance about whether Dunkerton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

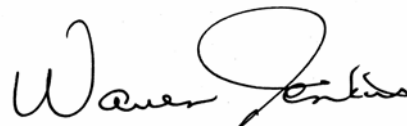
Dunkerton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Dunkerton Community School District's responses and, accordingly, we express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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 11, 2010

Dunkerton Community School District

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the following internal control deficiencies at the District:

Receipts – The same individual issues and records cash receipts, prepares bank deposits and reconciles bank accounts. There is no evidence bank reconciliations are reviewed by an independent person. Also, there is no evidence of independent review of receipt codings.

Payroll – The same person performs all payroll functions, including recording sick leave and vacation, preparing and approving payroll for input, preparing payroll checks and preparing and distributing payroll warrants. There is no evidence payroll is reviewed and approved by supervisory personnel or an independent person.

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.

Response – The District has currently implemented a review system in which another employee in the office reviews and initials the deposits and bank reconciliations each month. We will have an independent person review and initial the payroll registers.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of payables not recorded in the District's financial statements. Payroll disbursements made in July and August were recorded as cash disbursements in June, resulting in an understatement of cash and liabilities. The beginning balances of certain Student Activity Fund accounts did not agree with prior year ending balances although, in total, the fund balance agreed with the prior year. The District has not determined the reason for the variances. In addition, the beginning fund balance of the Capital Projects Fund and beginning net assets for governmental activities were restated to record certain receivables omitted in the prior year. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and payables are identified and included in the District's financial statements. In addition, the District should compare the beginning account balances in the Student Activity Fund with the prior year and determine the reason for any variances.

Response – The receivables and payables will be accrued accordingly in July and August to reflect the correct cash, receivables and liabilities for the next fiscal year. The four Student Activity Fund account balances that were in question have been reviewed and upon further information obtained from the accounting software provider, entries will be made to reflect the correct balances in those four accounts. Review has been made of each individual activity account by the District to assure its accuracy for the current fiscal year.

Dunkerton Community School District

Schedule of Findings

Year ended June 30, 2009

Conclusion – Response accepted.

- (C) Information System – The District does not have a written disaster recovery plan covering the computer based financial system.

Recommendation – A written disaster recovery plan should be developed.

Response – The District will draft a written disaster recovery plan and have it approved by the Board of Directors.

Conclusion – Response accepted.

- (D) Capital Assets – Written approval is not required for the disposal of assets and records are not promptly adjusted. An inventory of all property and equipment is not taken at least once each year and compared to the capital asset records by a person who does not maintain asset records. Also, identifying information is not promptly placed on the assets when received.

Recommendation – Written approval should be obtained prior to the disposal of assets. A complete record of capital assets should be maintained and kept current to facilitate the proper insurance, maintenance and safeguarding of these assets. An inventory of all property and equipment should be taken at least once each year and compared to the capital asset records by a person who does not maintain asset records. Also, identifying information should be promptly placed on the assets when received.

Response – The District currently has in place an inventory listing of all property and equipment which will be updated for 2010 additions and deletions. An independent person will compare the listing to the assets at year-end. The Board will approve all asset disposals. We will consider placing tags on all capital assets.

Conclusion – Response accepted.

- (E) Disbursements – Certain invoices were not properly marked paid to help prevent duplicate payment of invoices. No reconciliation is performed between expenditures and the check register to ensure no unauthorized checks were written.

Recommendation – All paid invoices should be marked or stamped paid with the date of payment to aid in preventing possible duplicate payment of invoices. The check register should be reviewed and reconciled to expenditures monthly.

Response – The District currently has implemented the procedure to stamp “paid” on the invoices. The District currently has the Superintendent review the expenditures and will now incorporate the initials and date of the review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Dunkerton Community School District

Schedule of Findings

Year ended June 30, 2009

Other Findings Related To Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2009 exceeded the amended certified budget amount in the instruction function.

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 budget will be reviewed monthly by the Superintendent and Business Manager to review the amounts expended.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- (3) 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.

- (4) Business Transactions – No business transactions between the District and District officials or employees were noted.

- (5) Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- (6) Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- (8) 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, except as follows:

A resolution naming official depositories has not been adopted by the District as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The District should adopt a depository resolution in amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response – A resolution was approved by the Board adopting a depository and establishing the maximum amount for the bank at the October 8, 2009 Board meeting.

Conclusion – Response accepted.

Dunkerton Community School District

Schedule of Findings

Year ended June 30, 2009

- (9) Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- (10) Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- (11) Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of section 423F.3 of the Code of Iowa were noted.

Pursuant to section 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District’s financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			479,592
Expenditures/transfers out:			
School infrastructure:			
Land	\$		-
Buildings			-
Equipment			-
Other improvements			-
Debt service for school infrastructure:			
General obligation debt			-
Revenue debt			-
			-
Ending balance		\$	479,592

- (12) Deficit Balances – Two student activity accounts had deficit balances at June 30, 2009.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits to return these accounts to a sound financial condition.

Response – In July 2009, the accounts either received revenue or a transfer was made from another activity account to eliminate the deficit balances. Future information has been documented for June 2010 to review balances to comply with this finding.

Conclusion – Response accepted.

Dunkerton Community School District

Schedule of Findings

Year ended June 30, 2009

- (13) Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule (IAR) 281-98.70, moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s educational program. In accordance with IAR 281-989.70(3), it is inappropriate to maintain funds raised by outside organizations in the Student Activity Fund. The March 1995 School Business Alert also discusses the proper accounting and sorting of the student activity accounts.

Several accounts in the District’s Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature, including resale, project, miscellaneous, PTO and Booster accounts. The PTO and Booster accounts were reclassified as Agency Funds for reporting purposes.

In accordance with IAR 281-98.70, upon dissolution of a student activity, such as a graduating class, the surplus must be used to support other student activities in the Student Activity Fund. The District has not closed out student activity accounts for graduated classes (classes of 2007 through 2009).

Recommendation – The District should review the activity in its Student Activity fund accounts for proper classification and close or reclassify the accounts to the appropriate fund in accordance with the guidelines. In addition, the balances remaining in the graduated class accounts should be transferred to other student activity accounts.

Response – The transfer of the student class account will be listed as an agenda item at the February 11, 2010 board meeting with a recommendation the amounts be transferred to other student activity accounts as advised by the State. Each specific activity will be reviewed by the District for proper classification and will request board approval for any transfers that occur at the February 11, 2010 board meeting.

Conclusion – Response accepted.

- (14) Interfund loan – During a prior fiscal year, the Enterprise, School Nutrition Fund borrowed \$27,694 from the Capital Projects Fund for equipment purchases. The loan has not been repaid as of June 30, 2009.

Effective July 1, 2008, the Department of Education’s declaratory ruling #28 states interfund loans must be repaid in any year before October 1 or the date of the organizational meeting of the Board, whichever is last.

Recommendation – The District should comply with the declaratory ruling and repay the interfund loan. Alternatively, since nutrition equipment is an allowable expenditure from the Capital Projects Fund, the District may forgive the loan.

Response – This subject will be listed as an agenda item at the February 11, 2010 board meeting as an action needed item. Once action has been taken by the Board, the District will reflect this information in the accounting records.

Conclusion – Response accepted.

Dunkerton Community School District

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor
Shannan M. Hoffman, Staff Auditor
Kelly L. Hilton, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State