

DUNKERTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**Dunkerton Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Alen Nagel	President	2013
Tony Gamerdinger	Vice President	2013
Cindi Rigdon	Board Member	2013
Chris Gibson	Board Member	2013
Kirby Marquart	Board Member	2015
<b>(After September 2013 Election)</b>		
Kirby Marquart	President	2015
Elizabeth Downs	Vice President	2015
Alen Nagel	Board Member	2017
Tony Gamerdinger	Board Member	2017
Amber Shimp	Board Member	2017
<b>School Officials</b>		
Jim Stanton	Superintendent	2014
Amy Morley	Business Manager/ Board Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

## **Dunkerton Community School District**

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District, Dunkerton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Dunkerton Community School District at June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

*Required Supplementary Information.*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District’s basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited in accordance with the standards referred to in the third paragraph of this report the five years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2015, on our consideration of the Dunkerton Community School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Dunkerton Community School District’s internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2015  
Newton, Iowa

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

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Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,004,267 in fiscal 2013 to \$5,072,369 in fiscal 2014, while General Fund expenditures decreased from \$4,763,540 in fiscal 2013 to \$4,752,706 in fiscal 2014. This District's General Fund balance increased from \$940,874 at June 30, 2013 to \$1,260,510 at June 30, 2014, a 33.98% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in state revenue compared to the prior year. The decrease in expenditures was due primarily to a decrease in support service expenditures incurred during the year.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dunkerton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dunkerton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

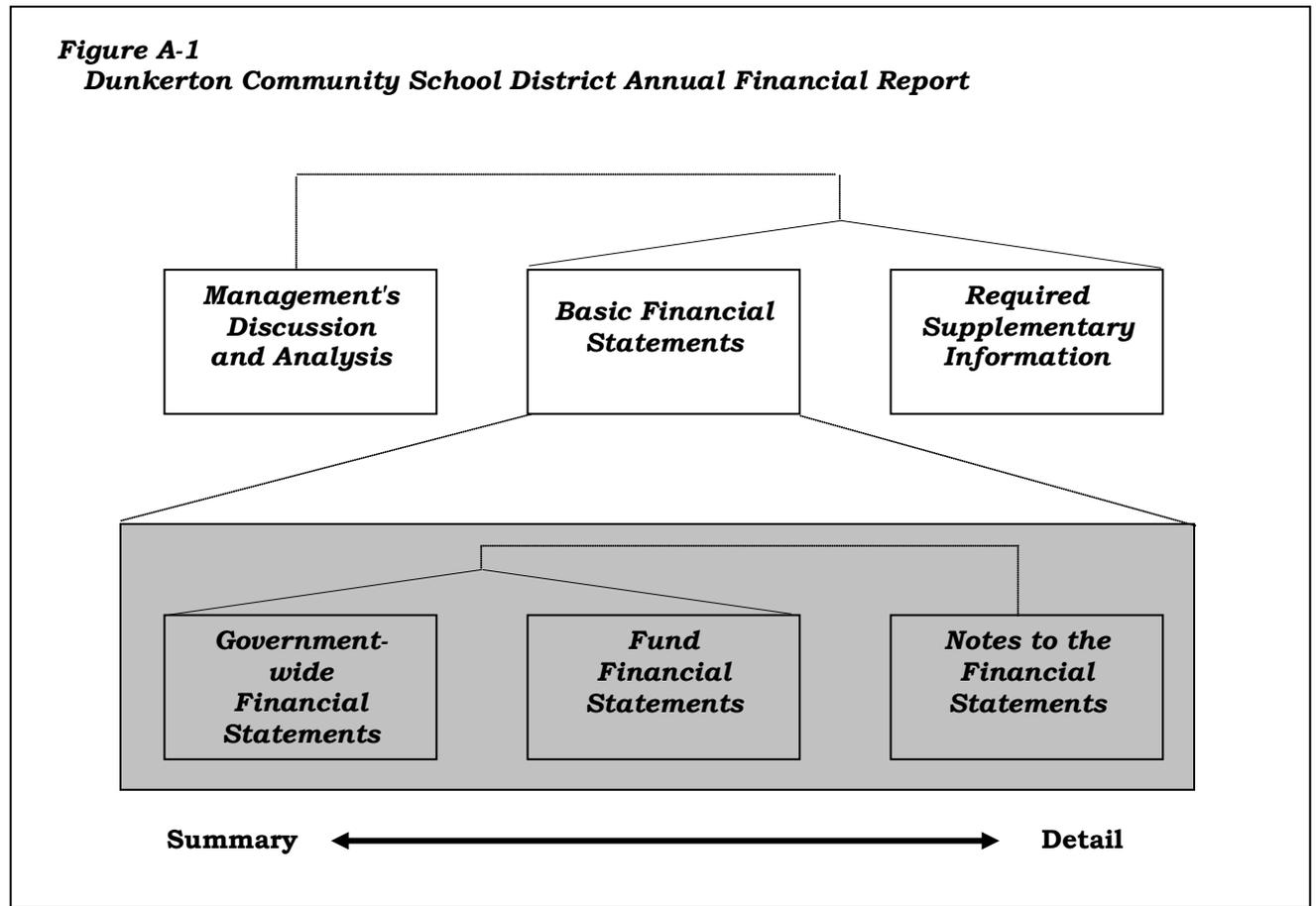


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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 and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Building Trade Class Fund.

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

- 3) *Fiduciary Funds*: The District is the trustee or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for the fiduciary funds include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 5,327,129	5,049,071	148,512	147,028	5,475,641	5,196,099	5.38%
Capital assets	9,883,771	9,810,316	5,486	6,351	9,889,257	9,816,667	0.74%
Total assets	15,210,900	14,859,387	153,998	153,379	15,364,898	15,012,766	2.35%
Long-term liabilities	4,952,176	5,193,229	-	-	4,952,176	5,193,229	-4.64%
Other liabilities	523,902	824,050	2,537	3,063	526,439	827,113	-36.35%
Total liabilities	5,476,078	6,017,279	2,537	3,063	5,478,615	6,020,342	-9.00%
Deferred inflows of resources	2,267,407	2,157,140	-	-	2,267,407	2,157,140	5.11%
Net position:							
Net investment in capital assets	5,108,771	4,810,316	5,486	6,351	5,114,257	4,816,667	6.18%
Restricted	1,263,254	992,035	-	-	1,263,254	992,035	27.34%
Unrestricted	1,095,390	882,617	145,975	143,965	1,241,365	1,026,582	20.92%
Total net position	\$ 7,467,415	6,684,968	151,461	150,316	7,618,876	6,835,284	11.46%

The District's combined net position increased by 11.46%, or \$783,592 over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$271,219, or 27.34% over the prior year. This increase was primarily a result of the District's increase in the ending fund balance of the Management Levy Fund compared to the prior year.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$214,783, or 20.92%. The increase in unrestricted net position was primarily the result of the increase in the fund balance of the General Fund compared to the prior year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 381,159	349,817	130,825	123,713	511,984	473,530	8.12%
Operating grants, contributions and restricted interest	518,093	499,719	116,287	104,110	634,380	603,829	5.06%
Capital grants, contributions and restricted interest	-	864	-	-	-	864	-100.00%
General revenues:							
Property tax	2,158,623	2,181,145	-	-	2,158,623	2,181,145	-1.03%
Income surtax	219,097	174,141	-	-	219,097	174,141	25.82%
Statewide sales, services and use tax	414,393	408,468	-	-	414,393	408,468	1.45%
Unrestricted state grants	2,483,027	2,391,286	-	-	2,483,027	2,391,286	3.84%
Unrestricted investment earnings	24,871	5,013	4	927	24,875	5,940	318.77%
Other	45,791	49,225	2,838	2,062	48,629	51,287	-5.18%
Total revenues	6,245,054	6,059,678	249,954	230,812	6,495,008	6,290,490	3.25%
Program expenses:							
Instruction	3,464,065	3,359,656	14,406	3,723	3,478,471	3,363,379	3.42%
Support services	1,369,807	1,523,130	1,029	898	1,370,836	1,524,028	-10.05%
Non-instructional programs	-	-	233,374	229,778	233,374	229,778	1.56%
Other expenses	628,735	606,060	-	-	628,735	606,060	3.74%
Total expenses	5,462,607	5,488,846	248,809	234,399	5,711,416	5,723,245	-0.21%
Change in net position	782,447	570,832	1,145	(3,587)	783,592	567,245	38.14%
Net position beginning of year	6,684,968	6,114,136	150,316	153,903	6,835,284	6,268,039	9.05%
Net position end of year	\$ 7,467,415	6,684,968	151,461	150,316	7,618,876	6,835,284	11.46%

Property tax, income surtax, statewide sales, services and use tax, unrestricted state grants account for 84.47% of the revenue from governmental activities. Charges for services and operating grants and contributions accounted for 98.86% of the revenue for the business type activities.

The District's total revenue was \$6,495,008 of which \$6,245,054 was for governmental activities and \$249,954 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced a 3.25% increase in revenues and a decrease in expenditures of 0.21%. An increase in unrestricted state grants helped fund the increase in revenues while a decrease in support service expenditures were the primary cause of the decrease in expenditures during the year.

### Governmental Activities

Revenues for governmental activities were \$6,245,054 and expenses were \$5,462,607 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,464,065	3,359,656	3.11%	2,774,188	2,713,139	2.25%
Support services	1,369,807	1,523,130	-10.07%	1,365,486	1,517,460	-10.02%
Other expenses	628,735	606,060	3.74%	423,681	407,847	3.88%
Totals	\$ 5,462,607	5,488,846	-0.48%	4,563,355	4,638,446	-1.62%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$381,159.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$518,093.
- The net cost of governmental activities was financed with \$2,158,623 in property tax, \$219,097 in income surtax, \$414,393 in statewide sales, services and use tax, \$2,483,027 in unrestricted state grants, \$24,871 in interest income and \$45,791 in other general revenues.

### **Business type Activities**

Revenues of the District's business type activities during the year ended June 30, 2014 were \$249,954, representing an increase of 8.29% over the prior year, while expenses were \$248,809, a 6.15% increase over the prior year. The District's business type activities include the School Nutrition Fund and Building Trades Class Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Dunkerton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,373,071, above last year's ending fund balances of \$1,905,356. The primary reason for the increase in combined fund balances in fiscal 2014 is due to the increase in the General Fund balance due to revenues outpacing expenditures.

### **Governmental Fund Highlights**

- The District's General Fund financial position increased from \$940,847 at June 30, 2013 to \$1,260,510 at June 30, 2014 and is the product of many factors. Increases in revenues from state sources during the year resulted in an increase in revenues. General fund expenditures also decreased during the year to help contribute to the increase in fund balance.

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- The District's Capital Projects Fund balance increased from \$397,372 at June 30, 2013 to \$448,163 at June 30, 2014 due to a decrease in expenditures required for District construction projects due to the completion of 2<sup>nd</sup> floor building renovations near the beginning of fiscal 2014. Revenues also outpaced expenditures in the Capital Projects Fund ensuring an increase in fund balance
  - The District's Debt Service Fund balance increased from \$355,164 at June 30, 2013 to \$365,264 at June 30, 2014. The primary reason for the increase in fund balance is an increase in interest income received compared to the prior year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$86,619 at June 30, 2013 to \$102,170 at June 30, 2015, representing an increase of 17.95%. The increase in net position of the School Nutrition Fund is primarily a result of an increase in federal source revenue received over the prior year. The Building Trades Class Fund net position decreased from \$63,697 at June 30, 2013 to \$49,291 at June 30, 2014 due to continued instruction related expenditures.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$16,913 more than budgeted revenues, a variance of 0.26%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

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

#### **Capital Assets**

At June 30, 2014, the District had invested \$9,889,257, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.74% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$311,666.

The original cost of the District's capital assets was \$15,846,562. Governmental funds account for \$15,740,541 with the remainder of \$106,021 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$46,000 at June 30, 2014, compared to \$796,301 reported at June 30, 2013. This decrease resulted from the District finishing construction on Phase II of the High School remodeling project during the year, and capitalizing it as part of the District's capital asset listing. The \$46,000 outstanding at the end of the year relate to the District's construction of a new concession stand.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Construction in progress	46,000	796,301	-	-	46,000	796,301	-94.22%
Buildings	9,459,643	8,663,520	-	-	9,459,643	8,663,520	9.19%
Land improvements	74,944	80,655	-	-	74,944	80,655	-7.08%
Machinery and equipment	293,184	259,840	5,486	6,351	298,670	266,191	12.20%
Total	\$ 9,883,771	9,810,316	5,486	6,351	9,889,257	9,816,667	0.74%

### Long-Term Debt

At June 30, 2014, the District had \$4,952,176 in other long-term debt outstanding. This represents a decrease of 4.64% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$1,700,000 at June 30, 2014.

The District had total outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$3,075,000 at June 30, 2014.

The District had total outstanding Termination Benefits payable of \$83,009 at June 30, 2014. \$12,700 of this total is payable by the Management Levy Fund and the remaining \$70,309 payable from the General Fund.

The District had a net OPEB liability of \$94,167 as of June 30, 2014.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 1,700,000	1,775,000	-4.23%
Revenue bonds	3,075,000	3,225,000	-4.65%
Termination benefits	83,009	115,249	-27.97%
Net OPEB liability	94,167	77,980	20.76%
Total	\$ 4,952,176	5,193,229	-4.64%

### 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:

- There have been many legislative actions that will affect District revenue during the upcoming year. With current state education/ tax reforms and no residential/commercial growth in the community, we anticipate a reduction in revenue for the school district. This will continue to put a financial strain on the District General Fund cash reserves, forcing additional downsizing of staff. Any increase in instructional salaries & health care costs along with this anticipated revenue loss, will have an adverse effect on the quality of services provided for all students.

- 
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

# **Basic Financial Statements**

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,728,335	142,627	2,870,962
Receivables:			
Property tax:			
Delinquent	33,098	-	33,098
Succeeding year	2,267,407	-	2,267,407
Income surtax	178,756	-	178,756
Accounts	911	-	911
Due from other governments	118,622	-	118,622
Inventories	-	5,885	5,885
Capital assets, net of accumulated depreciation	9,883,771	5,486	9,889,257
<b>TOTAL ASSETS</b>	<b>15,210,900</b>	<b>153,998</b>	<b>15,364,898</b>
<b>LIABILITIES</b>			
Accounts payable	79,074	-	79,074
Salaries and benefits payable	428,821	-	428,821
Accrued interest payable	16,007	-	16,007
Unearned revenue	-	2,537	2,537
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	80,000	-	80,000
Revenue bonds payable	150,000	-	150,000
Termination benefits payable	26,762	-	26,762
Portion due after one year:			
General obligation bonds payable	1,620,000	-	1,620,000
Revenue bonds payable	2,925,000	-	2,925,000
Termination benefits payable	56,247	-	56,247
Net OPEB liability	94,167	-	94,167
<b>TOTAL LIABILITIES</b>	<b>5,476,078</b>	<b>2,537</b>	<b>5,478,615</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,267,407	-	2,267,407
<b>NET POSITION</b>			
Net investment in capital assets	5,108,771	5,486	5,114,257
Restricted for:			
Categorical funding	165,487	-	165,487
Debt service	349,257	-	349,257
Management levy purposes	251,529	-	251,529
Student activities	48,818	-	48,818
School infrastructure	433,308	-	433,308
Physical plant and equipment	14,855	-	14,855
Unrestricted	1,095,390	145,975	1,241,365
<b>TOTAL NET POSITION</b>	<b>\$ 7,467,415</b>	<b>151,461</b>	<b>7,618,876</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,201,553	152,817	68,106	(1,980,630)	-	(1,980,630)
Special	576,251	29,283	72,252	(474,716)	-	(474,716)
Other	686,261	199,059	168,360	(318,842)	-	(318,842)
	<u>3,464,065</u>	<u>381,159</u>	<u>308,718</u>	<u>(2,774,188)</u>	<u>-</u>	<u>(2,774,188)</u>
Support services:						
Student	88,790	-	-	(88,790)	-	(88,790)
Instructional staff	145,784	-	-	(145,784)	-	(145,784)
Administration	492,631	-	-	(492,631)	-	(492,631)
Operation and maintenance of plant	399,638	-	-	(399,638)	-	(399,638)
Transportation	242,964	-	4,321	(238,643)	-	(238,643)
	<u>1,369,807</u>	<u>-</u>	<u>4,321</u>	<u>(1,365,486)</u>	<u>-</u>	<u>(1,365,486)</u>
Long-term debt interest	199,723	-	-	(199,723)	-	(199,723)
Other expenditures:						
AEA flowthrough	205,054	-	205,054	-	-	-
Depreciation(unallocated)*	223,958	-	-	(223,958)	-	(223,958)
	<u>429,012</u>	<u>-</u>	<u>205,054</u>	<u>(223,958)</u>	<u>-</u>	<u>(223,958)</u>
Total governmental activities	5,462,607	381,159	518,093	(4,563,355)	-	(4,563,355)
Business Type activities:						
Instruction:						
Regular	14,406	-	-	-	(14,406)	(14,406)
Support services:						
Operation and maintenance of plant	1,029	-	-	-	(1,029)	(1,029)
Non-instructional programs:						
Food service operations	233,374	130,825	116,287	-	13,738	13,738
Total business type activities	248,809	130,825	116,287	-	(1,697)	(1,697)
Total	\$ 5,711,416	511,984	634,380	(4,563,355)	(1,697)	(4,565,052)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,774,310	-	1,774,310
Capital outlays				240,697	-	240,697
Debt service				143,616	-	143,616
Income surtax				219,097	-	219,097
Statewide sales, services and use tax				414,393	-	414,393
Unrestricted state grants				2,483,027	-	2,483,027
Unrestricted investment earnings				24,871	4	24,875
Other general revenues				45,791	2,838	48,629
Total general revenues				<u>5,345,802</u>	<u>2,842</u>	<u>5,348,644</u>
Changes in net position				782,447	1,145	783,592
Net position beginning of year				6,684,968	150,316	6,835,284
Net position end of year				<u>\$ 7,467,415</u>	<u>151,461</u>	<u>7,618,876</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,646,550	422,264	363,076	296,445	2,728,335
Receivables:					
Property tax:					
Delinquent	24,553	3,668	2,188	2,689	33,098
Succeeding year	1,448,186	246,203	398,018	175,000	2,267,407
Income surtax	178,756	-	-	-	178,756
Accounts	911	-	-	-	911
Due from other governments	51,502	67,120	-	-	118,622
<b>TOTAL ASSETS</b>	<b>\$ 3,350,458</b>	<b>739,255</b>	<b>763,282</b>	<b>474,134</b>	<b>5,327,129</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 34,185	44,889	-	-	79,074
Salaries and benefits payable	428,821	-	-	-	428,821
Total liabilities	463,006	44,889	-	-	507,895
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,448,186	246,203	398,018	175,000	2,267,407
Income surtax	178,756	-	-	-	178,756
Total deferred inflows of resources	1,626,942	246,203	398,018	175,000	2,446,163
Fund balances:					
Reserved for:					
Categorical funding	165,487	-	-	-	165,487
Debt service	-	-	365,264	-	365,264
Management levy purposes	-	-	-	264,229	264,229
Student activities	-	-	-	48,818	48,818
School infrastructure	-	433,308	-	-	433,308
Physical plant and equipment	-	14,855	-	-	14,855
Unassigned:					
General fund	1,095,023	-	-	-	1,095,023
Student activities	-	-	-	(13,913)	(13,913)
Total fund balances	1,260,510	448,163	365,264	299,134	2,373,071
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,350,458</b>	<b>739,255</b>	<b>763,282</b>	<b>474,134</b>	<b>5,327,129</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$ 2,373,071
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	9,883,771
Accounts receivable income surtax is not yet available to pay current year expenditures and therefore, is recognized as deferred inflows of resources in the governmental funds.	178,756
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,007)
Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.	<u>(4,952,176)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 7,467,415</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,818,420	240,697	143,616	175,121	2,377,854
Tuition	186,615	-	-	-	186,615
Other	69,264	14,038	10,701	175,311	269,314
State sources	2,789,812	414,607	127	156	3,204,702
Federal sources	206,703	-	-	-	206,703
Total revenues	<u>5,070,814</u>	<u>669,342</u>	<u>154,444</u>	<u>350,588</u>	<u>6,245,188</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,147,425	-	-	67,451	2,214,876
Special	574,823	-	-	-	574,823
Other	518,947	-	-	160,714	679,661
	<u>3,241,195</u>	<u>-</u>	<u>-</u>	<u>228,165</u>	<u>3,469,360</u>
Support services:					
Student	88,531	-	-	-	88,531
Instructional staff	145,599	-	-	-	145,599
Administration	493,963	-	-	-	493,963
Operation and maintenance of plant	388,084	1,263	-	30,052	419,399
Transportation	190,280	89,778	-	5,210	285,268
	<u>1,306,457</u>	<u>91,041</u>	<u>-</u>	<u>35,262</u>	<u>1,432,760</u>
Capital outlay	-	246,773	-	-	246,773
Long-term debt:					
Principal	-	-	225,000	-	225,000
Interest and fiscal charges	-	-	200,081	-	200,081
	<u>-</u>	<u>-</u>	<u>425,081</u>	<u>-</u>	<u>425,081</u>
Other expenditures:					
AEA flowthrough	205,054	-	-	-	205,054
Total expenditures	<u>4,752,706</u>	<u>337,814</u>	<u>425,081</u>	<u>263,427</u>	<u>5,779,028</u>
Excess(Deficiency) of revenues over(under) expenditures	318,108	331,528	(270,637)	87,161	466,160
Other financing sources(uses):					
Proceeds from the sale of fixed assets	1,555	-	-	-	1,555
Transfer in	-	-	280,737	-	280,737
Transfer out	-	(280,737)	-	-	(280,737)
Total other financing sources(uses)	<u>1,555</u>	<u>(280,737)</u>	<u>280,737</u>	<u>-</u>	<u>1,555</u>
Net change in fund balances	319,663	50,791	10,100	87,161	467,715
Fund balances beginning of year	<u>940,847</u>	<u>397,372</u>	<u>355,164</u>	<u>211,973</u>	<u>1,905,356</u>
Fund balances end of year	<u>\$ 1,260,510</u>	<u>448,163</u>	<u>365,264</u>	<u>299,134</u>	<u>2,373,071</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

**Net change in fund balances - total governmental funds(page 22)** \$ 467,715

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

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

Capital outlay	\$ 384,256	
Depreciation expense	<u>(310,801)</u>	73,455

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 225,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 358

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (134)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	32,240	
Other postemployment benefits	<u>(16,187)</u>	<u>16,053</u>

**Changes in net position of governmental activities(page 19)** \$ 782,447

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	School Nutrition	Building Trades Class	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 93,336	49,291	142,627
Inventories	5,885	-	5,885
Capital assets, net of accumulated depreciation	5,486	-	5,486
<b>TOTAL ASSETS</b>	<b>104,707</b>	<b>49,291</b>	<b>153,998</b>
<b>LIABILITIES</b>			
Unearned revenue	2,537	-	2,537
<b>NET POSITION</b>			
Net investment in capital assets	5,486	-	5,486
Unrestricted	96,684	49,291	145,975
<b>TOTAL NET POSITION</b>	<b>\$ 102,170</b>	<b>49,291</b>	<b>151,461</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	School Nutrition	Building Trades Class	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for service	\$ 130,825	-	130,825
Miscellaneous revenues	2,838	-	2,838
<b>TOTAL OPERATING REVENUES</b>	<b>133,663</b>	<b>-</b>	<b>133,663</b>
<b>OPERATING EXPENSES:</b>			
Instruction:			
Other:			
Services	-	6,304	6,304
Supplies	-	7,802	7,802
Other	-	300	300
	-	14,406	14,406
Support services:			
Operation and maintenance of plant:			
Services	1,029	-	1,029
Non-instructional programs:			
Food service operations:			
Salaries	78,158	-	78,158
Benefits	12,502	-	12,502
Services	1,464	-	1,464
Supplies	140,044	-	140,044
Other	341	-	341
Depreciation	865	-	865
Total non-instructional programs:	233,374	-	233,374
<b>TOTAL OPERATING EXPENSES</b>	<b>234,403</b>	<b>14,406</b>	<b>248,809</b>
<b>OPERATING LOSS</b>	<b>(100,740)</b>	<b>(14,406)</b>	<b>(115,146)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	2,145	-	2,145
Federal sources	114,142	-	114,142
Interest on investments	4	-	4
<b>TOTAL NON-OPERATING REVENUES</b>	<b>116,291</b>	<b>-</b>	<b>116,291</b>
Changes in net position	15,551	(14,406)	1,145
Net position beginning of year	86,619	63,697	150,316
Net position end of year	\$ 102,170	49,291	151,461

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	School Nutrition	Building Trades Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 130,299	-	130,299
Cash received from miscellaneous	2,838	-	2,838
Cash payments to employees for services	(90,660)	-	(90,660)
Cash payments to suppliers for goods or services	(130,795)	(14,406)	(145,201)
Net cash used in operating activities	(88,318)	(14,406)	(102,724)
Cash flows from non-capital financing activities:			
State grants received	2,145	-	2,145
Federal grants received	100,206	-	100,206
Net cash provided by non-capital financing activities	102,351	-	102,351
Cash flows from investing activities:			
Interest on investments	4	-	4
Net increase(decrease) in cash and cash equivalents	14,037	(14,406)	(369)
Cash and cash equivalents beginning of year	79,299	63,697	142,996
Cash and cash equivalents end of year	\$ 93,336	49,291	142,627
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (100,740)	(14,406)	(115,146)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	13,936	-	13,936
Depreciation	865	-	865
Increase in inventories	(1,853)	-	(1,853)
Decrease in unearned revenue	(526)	-	(526)
Net cash used in operating activities	\$ (88,318)	(14,406)	(102,724)

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

During the year ended June 30, 2014, the District received Federal Commodities valued at \$13,936.

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 10,272</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 10,272</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 204
Donations	500
TOTAL ADDITIONS	<u>704</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>854</u>
Change in net position	(150)
Net position beginning of year	<u>10,422</u>
Net position end of year	<u>\$ 10,272</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Dunkerton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult educational programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Dunkerton, Iowa, and the predominate agricultural territory of Black Hawk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

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

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

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

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

### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible

within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes

set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

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

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

**Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2014, the District had no investments.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 280,737</u>

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

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

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in progress	796,301	264,069	1,014,370	46,000
Total capital assets not being depreciated	806,301	264,069	1,014,370	56,000
Capital assets being depreciated:				
Buildings	12,150,090	1,014,370	-	13,164,460
Land improvements	358,475	-	-	358,475
Machinery and equipment	2,101,419	120,187	60,000	2,161,606
Total capital assets being depreciated	14,609,984	1,134,557	60,000	15,684,541
Less accumulated depreciation for:				
Buildings	3,486,570	218,247	-	3,704,817
Land improvements	277,820	5,711	-	283,531
Machinery and equipment	1,841,579	86,843	60,000	1,868,422
Total accumulated depreciation	5,605,969	310,801	60,000	5,856,770
Total capital assets being depreciated, net	9,004,015	823,756	1,014,370	9,827,771
Governmental activities capital assets, net	\$ 9,810,316	1,087,825	2,028,740	9,883,771
Business type activities:				
Machinery and equipment	\$ 106,021	-	-	106,021
Less accumulated depreciation	99,670	865	-	100,535
Business type activities capital assets, net	\$ 6,351	(865)	-	5,486

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 930
Other	6,351
Support services:	
Administrative	6,751
Operation and maintenance of plant	4,561
Transportation	68,250
	<u>86,843</u>
Unallocated depreciation	<u>223,958</u>
Total governmental activities depreciation expense	<u>\$ 310,801</u>
Business type activities:	
Food service operations	<u>\$ 865</u>

**Note 5. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,775,000	-	75,000	1,700,000	80,000
Revenue bonds	3,225,000	-	150,000	3,075,000	150,000
Termination benefits	115,249	12,700	44,940	83,009	26,762
Net OPEB liability	77,980	16,187	-	94,167	-
Total	\$ 5,193,229	28,887	269,940	4,952,176	256,762

**Revenue Bonds**

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated July 1, 2010			
	Interest Rates	Principal	Interest	Total
2015	3.40 %	\$ 150,000	125,563	275,563
2016	3.40	155,000	120,462	275,462
2017	3.40	160,000	115,193	275,193
2018	3.40	170,000	109,752	279,752
2019	3.60	175,000	103,973	278,973
2020-2024	3.80-4.30	1,000,000	412,982	1,412,982
2025-2029	4.35-4.60	1,265,000	177,504	1,442,504
Total		\$ 3,075,000	1,165,429	4,240,429

The District has pledged future statewide sales and services tax revenues to repay the \$3,660,000 of bonds issued in July 2010. The bonds were issued for the purpose of financing a portion of the costs of a building project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 67 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,240,429. For the current year, \$150,000 in principal and \$130,663 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$414,393.

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

- a) \$292,880 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any remaining monies in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

General Obligation Bonds

Details of the Districts June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Issue Dated July 1, 2010				
	Interest Rates		Principal	Interest	Total
2015	2.30	% \$	80,000	66,518	146,518
2016	2.70		80,000	64,678	144,678
2017	3.00		85,000	62,518	147,518
2018	3.20		85,000	59,967	144,967
2019	3.40		90,000	57,247	147,247
2020-2024	3.60-4.10		505,000	234,569	739,569
2025-2029	4.20-4.60		630,000	121,325	751,325
2030	4.70		145,000	6,815	151,815
Total			<u>\$ 1,700,000</u>	<u>673,637</u>	<u>2,373,637</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2014. Employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application was subject to approval by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$10,000 placed in a Health Reimbursement Account to cover individual insurance costs until the \$10,000 is exhausted. Each retiree will also receive \$20 per day of unused sick days that are left over at the end of the year in which the employee retires. The District had one participant who retired during fiscal 2014 and a total liability of \$12,700.

At June 30, 2014, the District has obligations to three participants with a total liability of \$83,009 payable from the General Fund and Management Levy Fund. Actual early retirement expenditures for the year totaled \$44,940. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

**Note 6. Additional Debt Levy for Future Refunding**

On April 8, 2014, as part of the District’s budgeting process, the District’s Board of Directors approved additional debt service levy tax to advance refund \$250,000 in principal of the July 1, 2010 general obligation bond issuance. The District levied at a rate of \$2.68958 per \$1,000 taxable valuation for fiscal year 2015. The additional debt service levy is anticipated to be \$251,536 and will be used to advance refund \$250,000 of the outstanding general obligation bonds dated July 1, 2010. The \$250,000 in principal will be removed from the appropriate financial statements and schedules in fiscal year 2015.

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation - The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 29,626
Interest on net OPEB obligation	1,950
Adjustment to annual required contribution	(8,321)
Annual OPEB cost	<u>23,255</u>
Contributions made	<u>(7,068)</u>
Increase in net OPEB obligation	16,187
Net OPEB obligation beginning of year	<u>77,980</u>
Net OPEB obligation end of year	<u><u>\$ 94,167</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$7,068 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 28,102	25.67%	\$ 59,454
2013	27,991	33.81	77,980
2014	23,255	30.39	94,167

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$137,265 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,265. The covered payroll (annual payroll of active employees covered by the plan) was \$2,225,224 and the ratio of the UAAL to covered payroll was 6.17%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

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

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$241,783, \$228,797 and \$206,843 respectively, equal to the required contributions for each year.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$205,054 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Risk Management**

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E Organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the

purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2014 were \$485,330.

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

**Note 11. Categorical Funding**

The District’s restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Programs	Amount
Limited english proficient	\$ 1,294
Home school assistance program	4,509
Weighted at-risk programs	35,734
Gifted and talented programs	11,413
Returning dropouts and dropout prevention programs	35,912
Beginning teacher mentoring and induction program	12,572
Teacher salary supplement	24,807
Market factor	3,667
Successful progression for early readers	5,606
Professional development	26,853
Market factor incentives	908
Teacher leadership grants	2,212
Total	\$ 165,487

**Note 12. Deficit Account**

The District had a deficit account in the Special Revenue, Student Activity Fund totaling \$13,913 at June 30, 2014.

**Note 13. Operating Lease Commitment**

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

Year Ended	Lease Payment
June 30	
2015	\$ 3,394
2016	3,394
2017	3,394
2018	\$566
	\$ 10,747

**Note 14. Construction Commitment**

The District has entered into various contracts totaling \$54,745 for the construction of a new concession stand. As of June 30, 2014, costs of \$46,000 had been incurred against these contracts. The balance will be paid out as work on the project progresses.

**Note 15. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	264,229	365,264	1,095,023
Capital assets, net of accumulated depreciation	9,883,771	-	-	-
General obligation bond capitalized indebtedness	(1,700,000)	-	-	-
Revenue bond capitalized indebtedness	(3,075,000)	-	-	-
Termination benefits	-	(12,700)	-	(70,309)
Accrued interest payable	-	-	(16,007)	-
Income surtax receivable	-	-	-	178,756
Net OPEB liability	-	-	-	(94,167)
Unassigned for student activities	-	-	-	(13,913)
Net position (Exhibit A)	\$ 5,108,771	251,529	349,257	1,095,390

**Note 16. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## **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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,833,783	133,667	2,967,450	3,314,707	3,314,707	(347,257)
State sources	3,204,702	2,145	3,206,847	2,770,522	2,770,522	436,325
Federal sources	206,703	114,142	320,845	393,000	393,000	(72,155)
Total revenues	6,245,188	249,954	6,495,142	6,478,229	6,478,229	16,913
Expenditures/expenses:						
Instruction	3,469,360	14,406	3,483,766	4,290,000	4,290,000	806,234
Support services	1,432,760	1,029	1,433,789	1,621,309	1,621,309	187,520
Non-instructional programs	-	233,374	233,374	260,000	260,000	26,626
Other expenditures	876,908	-	876,908	2,063,751	2,063,751	1,186,843
Total expenditures/expenses	5,779,028	248,809	6,027,837	8,235,060	8,235,060	2,207,223
Excess(Deficiency) of revenues over(under) expenditures/expenses	466,160	1,145	467,305	(1,756,831)	(1,756,831)	2,224,136
Other financing sources, net	1,555	-	1,555	-	-	1,555
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	467,715	1,145	468,860	(1,756,831)	(1,756,831)	2,225,691
Balances beginning of year	1,905,356	150,316	2,055,672	3,066,937	3,066,937	(1,011,265)
Balances end of year	\$ 2,373,071	151,461	2,524,532	1,310,106	1,310,106	1,214,426

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

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

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 184,109	184,109	0.0%	\$ 1,728,147	10.65%
2011	July 1, 2009	-	184,109	184,109	0.0%	1,448,809	12.71%
2012	July 1, 2009	-	184,109	184,109	0.0%	1,859,732	9.90%
2013	July 1, 2012	-	147,868	147,868	0.0%	1,962,110	7.54%
2014	July 1, 2012	-	137,265	137,265	0.0%	2,225,224	6.17%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 261,540	34,905	296,445
Receivables:			
Property tax:			
Delinquent	2,689	-	2,689
Succeeding year	175,000	-	175,000
<b>TOTAL ASSETS</b>	<b>\$ 439,229</b>	<b>34,905</b>	<b>474,134</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	175,000	-	175,000
Fund Balances:			
Restricted for:			
Management levy purposes	264,229	-	264,229
Student activities	-	48,818	48,818
Unassigned	-	(13,913)	(13,913)
Total fund balances	264,229	34,905	299,134
<b>TOAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 439,229</b>	<b>34,905</b>	<b>474,134</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 175,121	-	175,121
Other	4,028	171,283	175,311
State sources	156	-	156
Total revenues	179,305	171,283	350,588
Expenditures:			
Current:			
Instruction:			
Regular	67,451	-	67,451
Other	-	160,714	160,714
Support services:			
Operation and maintenance of plant	30,052	-	30,052
Transportation	5,210	-	5,210
Total expenditures	102,713	160,714	263,427
Change in fund balances	76,592	10,569	87,161
Fund balances beginning of year	187,637	24,336	211,973
Fund balances end of year	\$ 264,229	34,905	299,134

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 366,188	56,076	422,264
Receivables:			
Property tax:			
Delinquent	-	3,668	3,668
Succeeding year	-	246,203	246,203
Due from other governments	67,120	-	67,120
<b>TOTAL ASSETS</b>	<b>\$ 433,308</b>	<b>305,947</b>	<b>739,255</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Liabilities:			
Accounts payable	\$ -	44,889	44,889
Deferred inflows or resources:			
Unavailable revenues:			
Succeeding year property tax	-	246,203	246,203
Fund balances:			
Restricted for:			
School infrastructure	433,308	-	433,308
Physical plant and equipment	-	14,855	14,855
Total fund balances	433,308	14,855	448,163
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 433,308</b>	<b>305,947</b>	<b>739,255</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	240,697	240,697
Other	14,038	-	14,038
State sources	414,393	214	414,607
Total revenues	<u>428,431</u>	<u>240,911</u>	<u>669,342</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	1,263	1,263
Transportation	-	89,778	89,778
Capital outlay	109,342	137,431	246,773
Total expenditures	<u>109,342</u>	<u>228,472</u>	<u>337,814</u>
Excess of revenues over expenditures	319,089	12,439	331,528
Other financing uses:			
Transfers out	<u>(280,737)</u>	-	<u>(280,737)</u>
Change in fund balances	38,352	12,439	50,791
Fund balances beginning of year	<u>394,956</u>	<u>2,416</u>	<u>397,372</u>
Fund balances end of year	<u>\$ 433,308</u>	<u>14,855</u>	<u>448,163</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund transfers	Balance End of Year
Interest	\$ 548	28	-	(16)	560
Dramatics & Speech	1,097	-	412	-	685
Cheerleaders	1,074	5,343	5,483	-	934
Athletics	(7,687)	81,483	87,724	15	(13,913)
Class of 2011	834	161	995	-	-
Class of 2012	389	-	200	(189)	-
Class of 2013	405	-	328	(77)	-
Class of 2014	1,189	324	910	67	670
Class of 2015	1,464	716	1,820	66	426
Class of 2016	1,487	-	-	66	1,553
Class of 2017	822	-	-	66	888
Class of 2018	431	-	-	1	432
Yearbook	3,118	3,615	4,439	-	2,294
Student Leadership Committee	-	7,619	6,089	-	1,530
Four Year Trip	283	-	283	-	-
Band - General	225	2,109	1,358	(976)	-
Elementary School Projects	2,129	1,471	-	-	3,600
Secondary School Projects	94	-	-	-	94
Resale Supplies	171	-	-	-	171
General Student Projects	447	-	-	-	447
Summer Recreation	2,411	6,742	7,492	-	1,661
Student Senate	3,113	897	1,129	-	2,881
Pop Fund	1,265	14,252	6,795	-	8,722
Watch the Stars	568	-	568	-	-
Honor Society	745	1,459	1,644	-	560
Athletic Resale	255	-	-	-	255
Athletic Fundraiser	7,459	5,642	5,161	(7,940)	-
Drama	-	948	411	-	537
Vocal	-	4,786	3,055	625	2,356
Band	-	2,979	2,598	351	732
Girl's Track	-	6,025	3,989	469	2,505
Boys Track	-	6,526	4,393	-	2,133
Cross Country	-	-	58	58	-
Golf	-	-	-	36	36
Boys Basketball	-	4,719	3,700	1,722	2,741
Football	-	130	-	1,498	1,628
Baseball	-	3,519	3,271	1,236	1,484
Girl's Basketball	-	7,843	6,321	866	2,388
Volleyball	-	1,090	88	1,931	2,933
Softball	-	857	-	125	982
Total	\$ 24,336	171,283	160,714	-	34,905

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 2,377,854	2,768,470	2,627,316	2,514,681	2,312,825	2,178,358	2,070,441	1,886,312	1,394,604	1,299,427
Tuition	186,615	200,942	183,728	234,584	213,480	180,807	201,595	239,939	263,552	2,056,440
Other	269,314	206,219	285,258	264,174	207,735	225,187	264,417	296,698	835,888	699,027
State sources	3,204,702	2,662,372	2,427,424	2,708,789	2,186,555	2,203,139	2,372,824	2,370,841	2,296,218	2,154,412
Federal sources	206,703	226,391	291,309	295,062	509,846	231,019	154,596	171,291	139,492	174,619
<b>Total</b>	<b>\$ 6,245,188</b>	<b>6,064,394</b>	<b>5,815,035</b>	<b>6,017,290</b>	<b>5,430,441</b>	<b>5,018,510</b>	<b>5,063,873</b>	<b>4,965,081</b>	<b>4,929,754</b>	<b>6,383,925</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 2,214,876	2,129,650	2,159,101	2,295,438	2,077,149	2,048,352	1,989,474	1,925,337	1,845,617	1,765,305
Special	574,823	583,408	657,536	525,265	673,534	623,383	448,878	291,846	331,681	424,909
Other	679,661	688,514	624,957	627,557	534,244	482,748	492,983	530,123	478,949	351,550
<b>Support services:</b>										
Student	88,531	85,280	79,877	76,994	97,849	133,320	109,809	85,424	85,233	122,143
Instructional staff	145,599	164,041	145,618	184,380	139,512	130,833	125,191	153,019	123,073	112,532
Administration	493,963	495,516	495,954	483,889	523,291	502,298	495,673	484,621	484,893	496,468
<b>Operation and maintenance</b>										
of plant	419,399	727,155	420,371	396,763	412,631	435,919	482,796	442,855	382,826	367,952
Transportation	285,268	326,035	223,665	269,619	187,550	223,431	197,528	182,233	176,020	133,758
Non-instructional programs	-	-	-	-	-	-	-	-	-	15,583
Capital outlay	246,773	706,291	1,865,111	3,922,744	76,705	18,180	4,453	40,749	-	8,572
<b>Long-term debt:</b>										
Principal	225,000	220,000	215,000	225,000	-	325,000	1,090,000	335,000	315,000	327,281
Interest	200,081	204,885	211,695	199,557	-	8,968	51,575	69,614	87,214	113,458
<b>Other expenditures:</b>										
AEA flow-through	205,054	198,213	204,848	223,667	205,342	171,089	169,206	162,278	151,114	147,628
Refund of prior year tax	-	-	-	-	-	187,641	-	-	-	-
<b>Total</b>	<b>\$ 5,779,028</b>	<b>6,528,988</b>	<b>7,303,733</b>	<b>9,430,873</b>	<b>4,927,807</b>	<b>5,291,162</b>	<b>5,657,566</b>	<b>4,703,099</b>	<b>4,461,620</b>	<b>4,387,139</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 and I-C-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunkerton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Dunkerton Community School District's Responses to Findings

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

#### Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2015  
Newton, Iowa

DUNKERTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

Response - The District has reviewed and assigned appropriate responsibilities with outside recommendation, has implemented a verification/review process for cash receipts, payroll data entries, payables, and balance reports. An increase in shared duties is now in place. Despite limited staff, the District will continue to look for ways to improve internal controls.

Conclusion - Response accepted.

I-B-14 District Procedures - During the audit it was noted the District entered into an agreement with the Booster Club to construct a new concession stand on the District's athletic facilities. This project was to be handled by the Booster Club who would contribute \$8,000 to the project while the District would contribute no more than \$50,000 of the total cost. We noted the Booster Club would request payments for progress made on the District concession stand through emails sent to the Superintendent. These emails were subsequently approved by the Superintendent, and paid by the District with the understanding that documentation of expenditures would be provided upon completion of the project. These practices raise several concerns for the District which include but are not limited to as follows:

- 1) Pursuant to a Chapter 28E contractual agreement, the District may contribute towards the cost of the District's concession stand. However, the District may not contribute to the District's Athletic Booster Club. The District may make payments to a contractor or other vendor pursuant to Chapter 279.29 of the Code of Iowa for a portion (or percentage share) of the cost of the concession stand. We noted the District made contributions to the District's athletic booster club instead of the contractor as required by Chapter 279.29 of the Code of Iowa.
- 2) The District must also comply with the bidding requirements for public construction in Chapter 26 of the Code of Iowa. Per discussion with central office personnel, all bidding or quote requirements were handled by the Booster Club.
- 3) Paying bills without support documentation and approval by the Superintendent circumvents the District's own purchasing procedures. District Policy 705.3 states that Board Secretary, not the Superintendent shall examine claims and verify bills incurred by the District prior to formal audit and approval by the Board.
- 4) The Athletic Booster Club would have needed to provide the District with a certificate of insurance for liability coverage in conjunction with contracting for construction services occurring on District grounds. No such certificate of insurance was presented to the District.
- 5) Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve all copies of pertinent paperwork related to business of the District. The supporting documentation for expenditures made by the Booster Club was not remitted to the District until completion of the project, after all requests for payment had been made. This documentation was not available for the Board to examine as it approved monthly bills.

Recommendation - The District should manage any project which occurs on District property in order to ensure compliance with these statutory requirements, as well as to ensure that adequate insurance coverage is in place. The Athletic Booster Club should donate its share to the District and the District account for the entire project. The District's share of the cost may be paid from the Physical Plant and Equipment Levy (PPEL) Fund but not from the General Fund or the Student Activity Fund, because the General Fund and the Student Activity Fund may not be used for construction.

The District should also further scrutinize any bills which appear to be questionable, against District policies and procedures, or in conflict with the Code of Iowa. These questioned bills should be subsequently investigated by the central office staff. If unable to determine the appropriateness and proprietary nature of a transaction the District should refuse payment on such item until the transaction is deemed valid and proper for

payment. The District should review its business practices for its accounts payable system to ensure all bills are properly approved and supported prior to payment, and review these practices with District employees. The District should also ensure the Board of Directors has access to all supporting documentation for all District disbursements prior to approval at monthly meetings.

We further recommend the District contact legal counsel to determine the appropriate corrective actions, if any, that should be taken regarding the arrangement with the Booster Club and the corresponding transactions.

Response - The District has and will continue to seek out legal advice from the District Attorney's Office regarding all projects relating to District property. Accounts payable Dept. has been reminded that all invoices and proper paperwork must be submitted prior to payments being made. The Board of Directors will continue to review all payable checks prior to monthly meetings. Attorney has given District Administrators advice regarding future projects with Athletic Booster Club.

Conclusion - Response accepted.

I-C-14 Grant Coding - We noted the District has several grants (Headstart/Preschool/REAP/Medicare) that did not have expenses coded to these grants. The District then made subsequent journal entries to reclassify expenses to these grants. The reclassifying of expenses gives the appearance that these grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

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

Response - The Business Office personnel and Administrative team now meet on a regular basis to determine grant costs, use state guidelines regarding appropriate uses of these funds and review funding changes during the year. This will improve tracking of grant expenses

Conclusion - Response accepted.

DUNKERTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

II-B-14 Questionable Disbursements - During our audit we noted the District purchased gift cards for a family in need. The purchase of gift cards to be given away does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. It also does not allow the District's Board of Directors to audit and allow the final purchase as required by Chapter 279.29 of the Code of Iowa.

Recommendation - The District should review the procedures in place, and make necessary adjustments to ensure all purchases comply with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.

Response - The District will follow guidelines as established by the Attorney General's Office regarding purchase of gift certificates/cards. Ideas for such gifts will no longer be approved by Administrators as an appropriate use of public funds.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Pat McNulty, Custodian Husband owns Waterloo Power Supply	Tractor Repairs	\$ 148

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

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We did note an instance where the Board motioned \$50,000 of Capital Projects funds to be allocated for the construction of a new concession stand in conjunction with the District's athletic booster club. However, the District minutes did not indicate the vote of the board on this motion as required by Chapter 21.3 of the Code of Iowa.

Recommendation - The District should ensure all official action taken by the District's Board of Director's and the corresponding vote of each member is documented in the District's official board minutes as required by Chapter 21.3 of the Code of Iowa.

Response - All board minutes will be reviewed by other office personnel before send to publisher to verify adherence to Chapter 21.3 of the Code of Iowa.

Conclusion - Response accepted.

- II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances we noted of categorical funding used to supplant rather than supplement other programs. However, we noted during our audit that the District coded salaries and benefits for a third grade teacher as an expense to its dropouts and dropout prevention categorical funding. The salaries and benefits for the third grade teacher do not appear to be an allowable expense from dropout and dropout prevention funding. Expenditures coded to dropout prevention according to Chapter 98.21(2)a. of the Code of Iowa should be as follows:

“...when the teacher (or counselor) is dedicated to working directly and exclusively with identified students to provide services beyond those provided by the District to students who are not identified as at risk of becoming dropouts...”

Since the third grade teacher did not work directly and exclusively with at risk dropout students for the time coded to dropout and dropout prevention programs we questioned the expenses as presented. The District subsequently made adjusting entries to move questioned salaries and benefits out of dropout and dropout prevention programs prior to certifying its certified annual report.

Recommendation - The District should review their procedures to ensure expenditures coded to dropout and dropout prevention programs are allowable per Chapter 281-98.25 of the Code of Iowa.

Response - The District will review guidelines for allowable expenditures related to categorical funding dollars including dropout prevention. Verification of these expenses will be approved prior to the coding of these expenses.

Conclusion - Response accepted.

- II-L-14 Financial Condition - The District had a deficit account in the Special Revenue, Student Activity Fund totaling \$13,913 at June 30, 2014.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficit. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from this account.

Response - District will continue to monitor Activity Fund balances and seek out additional fundraising options. All requisitions/purchase orders will be reviewed more closely prior to approval.

Conclusion - Response accepted.

II-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	394,956
Revenues:			
Sales tax revenues	\$	414,393	
Other local revenues		14,038	428,431
			<u>823,387</u>
Expenditures/transfers out:			
School infrastructure construction		109,342	
Transfers to other funds:			
Debt service fund		280,737	390,079
			<u>\$ 433,308</u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-N-14 Disposal of Equipment - During our audit we noted the District sold an old school bus for \$1,405 during the year. However, we noted the District did not publish a publication of sale of the school bus at least once each week for two consecutive weeks in a local newspaper as required by Chapter 297.22 of the Code of Iowa.

Recommendation - Chapter 297.22 of the Code of Iowa states, "property having a value of not more than five thousand dollars, other than real property, may be disposed of by any procedure which is adopted by the board and each sale shall be published at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district." The District should ensure all items with value of less than \$5,000 are published in a local paper for two consecutive weeks prior to disposal.

Response - Sale notices of all District property valued at less than \$5,000 will be published in the local newspaper for a minimum of two consecutive weeks.

Conclusion - Response accepted.

II-O-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

**Commissions and Donations** - We noted during our audit that donations from Target and HyVee were being receipted to the Student Activity Fund. According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Since commissions and donations are not identified as allowable to the Student Activity Fund, they should be put in the General Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Target donations and HyVee donations should be receipted into the General Fund.

Response - District will contact donors/organizations associated with Target & HyVee donation programs and let them know that all donations received by the District must be placed in the District General Fund. Donors who request that their donations be used or specific Activity Fund Organizations will be given Code 298A.8 of the Iowa Code stating that commissions & donations are not allowable in Student Activity Fund and must be receipted into General Fund.

Conclusion - Response accepted.