

DUNKERTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			5-7
Management's Discussion and Analysis			9-18
Basic Financial Statements:		<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>			
Statement of Net Position	A		20
Statement of Activities	B		21
<i>Governmental Fund Financial Statements:</i>			
Balance Sheet	C		22
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D		23
Statement of Revenues, Expenditures and Changes in Fund Balances	E		24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F		25
<i>Proprietary Fund Financial Statements:</i>			
Statement of Net Position	G		26
Statement of Revenues, Expenses and Changes in Fund Net Position	H		27
Statement of Cash Flows	I		28
<i>Fiduciary Fund Financial Statements:</i>			
Statement of Fiduciary Net Position	J		29
Statement of Changes in Fiduciary Net Position	K		30
Notes to Financial Statements			31-45
Required Supplementary Information:			
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds			48
Notes to Required Supplementary Information - Budgetary Reporting			49
Schedule of Funding Progress for the Retiree Health Plan			50
Schedule of the District's Proportionate Share of the Net Pension Liability			51
Schedule of District Contributions			52
Notes to Required Supplementary Information - Pension Liability			53-54
Supplementary Information:		<u>Schedule</u>	
<i>Capital Projects Accounts:</i>			
Combining Balance Sheet	1		56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3		58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4		59
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 <u>Government Auditing Standards</u>			60-61
Schedule of Findings			62-65

Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kirby Marquart	President	2015
Elizabeth Downs	Vice President	2015
Alen Nagel	Board Member	2017
Tony Gamerdinger	Board Member	2017
Amber Shimp	Board Member	2017
School Officials		
Jim Stanton	Superintendent	2015
Amy Morley	Business Manager/ Board Secretary	2015
Ahlers & Cooney, P.C.	Attorney	2015

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, 2015, 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, 2015 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Dunkerton Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

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 9 through 18 and 48 through 54 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 five years ended June 30, 2014 (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 four 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 4, 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 28, 2016, 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.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2016
Newton, Iowa

Dunkerton Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,072,369 in fiscal year 2014 to \$4,814,732 in fiscal year 2015, while General Fund expenditures increased from \$4,752,706 in fiscal year 2014 to \$4,848,636 in fiscal year 2015. This District's General Fund balance decreased from \$1,260,510 at June 30, 2014 to \$1,226,606 at June 30, 2015, a 2.69% decrease over the prior year.
- The decrease in General Fund revenues was attributable to decreases in local tax and state source revenue compared to the prior year. The increase in expenditures was due primarily to a increase in instructional 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 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, the District's proportionate share of the net pension liability and related contributions, 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.

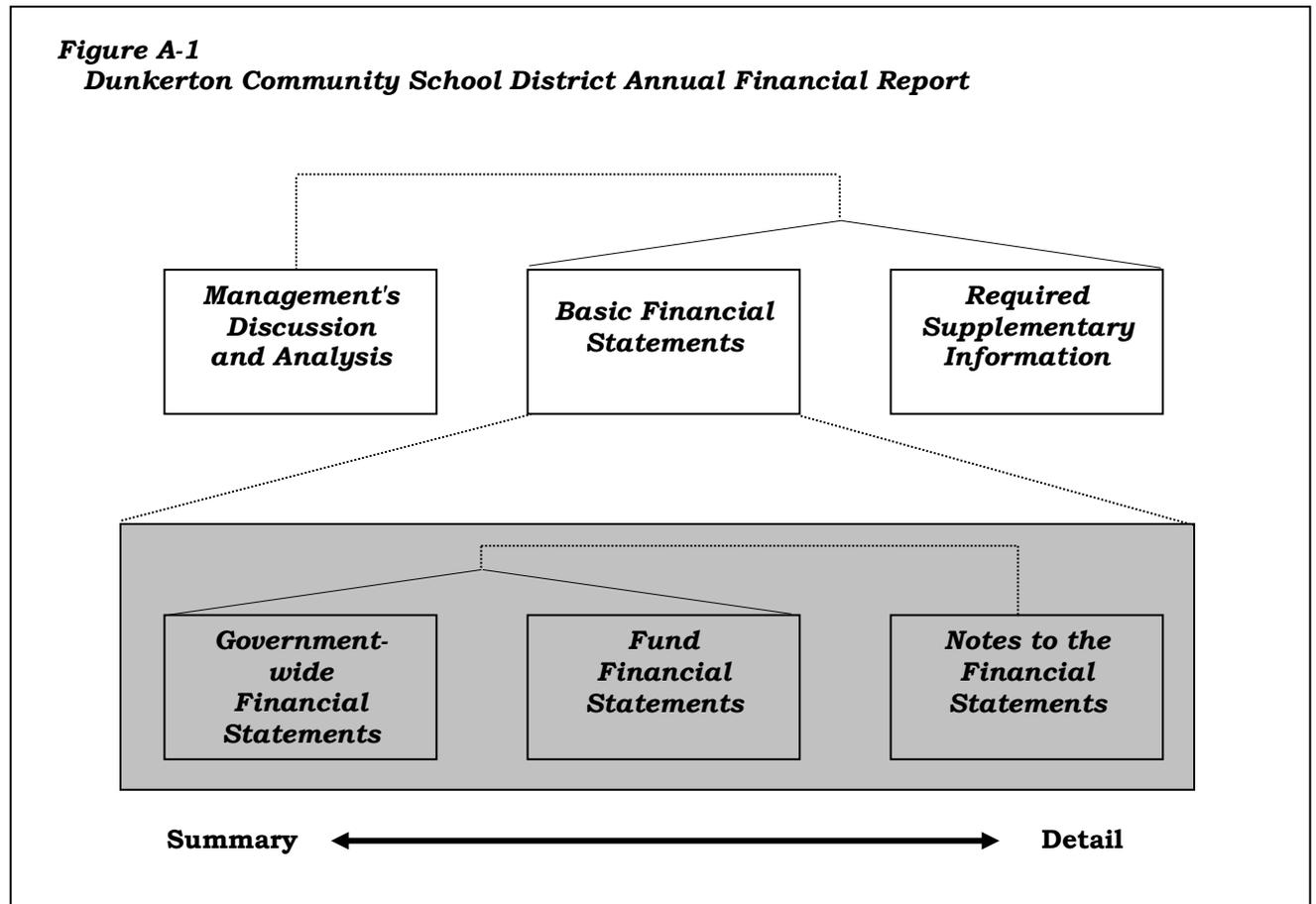


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 service and building trades	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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.

The two government-wide financial statements report the District's net position and how it has 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, the Debt Service Fund 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 Trades 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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2014		June 30, 2014		June 30, 2014	June, 30 2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Current and other assets	\$ 5,621,140	5,327,129	140,481	148,512	5,761,621	5,475,641	5.22%
Capital assets	9,799,392	9,883,771	13,016	5,486	9,812,408	9,889,257	-0.78%
Total assets	15,420,532	15,210,900	153,497	153,998	15,574,029	15,364,898	1.36%
Deferred outflows of resources	334,316	-	9,433	-	343,749	-	100.00%
Long-term liabilities	6,077,873	4,952,176	41,546	-	6,119,419	4,952,176	23.57%
Other liabilities	471,472	523,902	2,438	2,537	473,910	526,439	-9.98%
Total liabilities	6,549,345	5,476,078	43,984	2,537	6,593,329	5,478,615	20.35%
Deferred inflows of resources	2,986,029	2,267,407	16,897	-	3,002,926	2,267,407	32.44%
Net position:							
Net investment in capital assets	5,504,392	5,108,771	13,016	5,486	5,517,408	5,114,257	7.88%
Restricted	1,550,933	1,263,254	-	-	1,550,933	1,263,254	22.77%
Unrestricted	(835,851)	1,095,390	89,033	145,975	(746,818)	1,241,365	-160.16%
Total net position	\$ 6,219,474	7,467,415	102,049	151,461	6,321,523	7,618,876	-17.03%

The District's combined net position decreased by 17.03%, or \$1,297,353 from 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 \$287,679, or 22.77% over the prior year. This increase was primarily a result of the increase in the Capital Projects: Physical Plant and Equipment Levy Fund balance.

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 - decreased \$1,988,183, or 160.16%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,053,203 and \$53,295, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 392,039	381,159	127,043	130,825	519,082	511,984	1.39%
Operating grants, contributions and restricted interest	508,087	518,093	132,235	116,287	640,322	634,380	0.94%
General revenues:							
Property tax	2,264,633	2,158,623	-	-	2,264,633	2,158,623	4.91%
Income surtax	244,531	219,097	-	-	244,531	219,097	11.61%
Statewide sales, services and use tax	441,471	414,393	-	-	441,471	414,393	6.53%
Unrestricted state grants	2,317,456	2,483,027	-	-	2,317,456	2,483,027	-6.67%
Unrestricted investment earnings	4,051	24,871	5	4	4,056	24,875	-83.69%
Other	57,899	45,791	3,699	2,838	61,598	48,629	26.67%
Total revenues	6,230,167	6,245,054	262,982	249,954	6,493,149	6,495,008	-0.03%
Program expenses:							
Instruction	3,459,549	3,464,065	8,904	14,406	3,468,453	3,478,471	-0.29%
Support services	1,337,292	1,369,807	3,015	1,029	1,340,307	1,370,836	-2.23%
Non-instructional programs	-	-	247,180	233,374	247,180	233,374	5.92%
Other expenses	628,064	628,735	-	-	628,064	628,735	-0.11%
Total expenses	5,424,905	5,462,607	259,099	248,809	5,684,004	5,711,416	-0.48%
Change in net position	805,262	782,447	3,883	1,145	809,145	783,592	3.26%
Net position beginning of year, as restated	5,414,212	6,684,968	98,166	150,316	5,512,378	6,835,284	-19.35%
Net position end of year	\$ 6,219,474	7,467,415	102,049	151,461	6,321,523	7,618,876	-17.03%

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.56% of the revenue from governmental activities. Charges for service and operating grants and contributions accounted for 98.59% of the revenue for the business type activities.

The District's total revenues were \$6,493,149, of which \$6,230,167 was for governmental activities and \$262,982 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced a 0.03% decrease in revenues and a decrease in expenditures of 0.48%. A decrease in unrestricted state grants caused the decrease 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 \$6,230,167 and expenses were \$5,424,905 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,459,549	3,464,065	-0.13%	2,769,728	2,774,188	-0.16%
Support services	1,337,292	1,369,807	-2.37%	1,332,671	1,365,486	-2.40%
Other expenses	628,064	628,735	-0.11%	422,380	423,681	-0.31%
Totals	\$ 5,424,905	5,462,607	-0.69%	4,524,779	4,563,355	-0.85%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$392,039.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$508,087.
- The net cost of governmental activities was financed with \$2,264,633 in property tax, \$244,531 in income surtax, \$441,471 in statewide sales, services and use tax, \$2,317,456 in unrestricted state grants, \$4,051 in interest income and \$57,899 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$262,982, representing an increase of 5.21% over the prior year, while expenses were \$259,099, a 4.14% 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 \$2,610,861, above last year's ending fund balances of \$2,373,071. The primary reason for the increase in combined fund balances during the year was the improvement in the Capital Projects: Physical Plant and Equipment Levy Fund Balance.

Governmental Fund Highlights

- The District's General Fund financial position decreased from \$1,260,510 at June 30, 2014 to \$1,226,606 at June 30, 2015 and is the product of many factors. Decreases in revenues from local tax and state sources during the year resulted in a decrease in revenues. General fund expenditures increased during the year.
- The Management Fund balance increased from \$264,229 at June 30, 2014 to \$362,436 at June 30, 2015. This was primarily due to a decrease in expenditures during the year.
- The District's Capital Projects Fund balance increased from \$448,163 at June 30, 2014 to \$617,292 at June 30, 2015. The District reduced Capital Projects Fund expenditures by nearly 16% compared to the prior year which led to the increase in fund balance.
- The District's Debt Service Fund balance experienced a nominal increase from \$365,264 at June 30, 2014 to \$370,464 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$48,875 restated at July 1, 2014 to \$61,662 at June 30, 2015, representing an increase of 26.16%. 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 \$49,291 at June 30, 2014 to \$40,387 at June 30, 2015 due to continued instruction related expenditures.

BUDGETARY HIGHLIGHTS

The District's revenues were \$121,959 less than budgeted revenues, a variance of 1.85%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$9,812,408, 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 decrease of 0.78% over last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$353,531.

The original cost of the District's capital assets was \$16,105,319. Governmental funds accounted for \$15,994,615 with the remainder of \$110,704 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 \$0 at June 30, 2015, compared to \$46,000 reported at June 30, 2014. This decrease resulted from the District finishing construction on the concession stand renovation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total Distict		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Construction in progress	-	46,000	-	-	-	46,000	-100.00%
Buildings	9,345,806	9,459,643	-	-	9,345,806	9,459,643	-1.20%
Land improvements	69,233	74,944	-	-	69,233	74,944	-7.62%
Machinery and equipment	374,353	293,184	13,016	5,486	387,369	298,670	29.70%
Total	\$ 9,799,392	9,883,771	13,016	5,486	9,812,408	9,889,257	-0.78%

Long-Term Debt

At June 30, 2015, the District had \$6,119,419 in other long-term debt outstanding. This represents an increase of 23.57% 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 \$1,370,000 at June 30, 2015.

The District had total outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$2,925,000 at June 30, 2015.

The District had total outstanding Termination Benefits payable of \$70,650 at June 30, 2015. \$12,490 of this total is payable by the Management Levy Fund and the remaining \$58,160 payable from the General Fund.

The District had a net pension liability of \$1,642,129 at June 30, 2015. Governmental activities accounts for \$1,600,583 and business type activities account for \$41,546.

The District had a net OPEB liability of \$111,640 as of June 30, 2015.

Figure A-6
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total Distict		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 1,370,000	1,700,000	-	-	1,370,000	1,700,000	-19.41%
Revenue bonds	2,925,000	3,075,000	-	-	2,925,000	3,075,000	-4.88%
Termination benefits	70,650	83,009	-	-	70,650	83,009	-14.89%
Net pension liability	1,600,583	-	41,546	-	1,642,129	-	100.00%
Net OPEB liability	111,640	94,167	-	-	111,640	94,167	18.56%
Total	\$ 6,077,873	4,952,176	41,546	-	6,119,419	4,952,176	23.57%

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, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,885,990	134,509	3,020,499
Receivables:			
Property tax:			
Delinquent	20,947	-	20,947
Succeeding year	2,335,051	-	2,335,051
Income surtax	219,184	-	219,184
Accounts	16,739	-	16,739
Due from other governments	143,229	-	143,229
Inventories	-	5,972	5,972
Capital assets, net of accumulated depreciation	9,799,392	13,016	9,812,408
TOTAL ASSETS	15,420,532	153,497	15,574,029
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	334,316	9,433	343,749
LIABILITIES			
Accounts payable	23,051	-	23,051
Salaries and benefits payable	432,993	-	432,993
Accrued interest payable	15,428	-	15,428
Unearned revenue	-	2,438	2,438
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	80,000	-	80,000
Revenue bonds payable	155,000	-	155,000
Termination benefits payable	27,030	-	27,030
Portion due after one year:			
General obligation bonds payable	1,290,000	-	1,290,000
Revenue bonds payable	2,770,000	-	2,770,000
Termination benefits payable	43,620	-	43,620
Net pension liability	1,600,583	41,546	1,642,129
Net OPEB liability	111,640	-	111,640
TOTAL LIABILITIES	6,549,345	43,984	6,593,329
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	650,978	16,897	667,875
Unavailable property tax revenue	2,335,051	-	2,335,051
TOTAL DEFERRED INFLOWS OF RESOURCES	2,986,029	16,897	3,002,926
NET POSITION			
Net investment in capital assets	5,504,392	13,016	5,517,408
Restricted for:			
Categorical funding	189,727	-	189,727
Debt service	355,036	-	355,036
Management levy purposes	349,946	-	349,946
Student activities	38,932	-	38,932
School infrastructure	464,620	-	464,620
Physical plant and equipment	152,672	-	152,672
Unrestricted	(835,851)	89,033	(746,818)
TOTAL NET POSITION	\$ 6,219,474	102,049	6,321,523

SEE NOTES TO FINANCIAL STATEMENTS.

**DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,354,086	169,294	78,366	(2,106,426)	-	(2,106,426)
Special	604,637	88,031	22,339	(494,267)	-	(494,267)
Other	500,826	134,714	197,077	(169,035)	-	(169,035)
	<u>3,459,549</u>	<u>392,039</u>	<u>297,782</u>	<u>(2,769,728)</u>	<u>-</u>	<u>(2,769,728)</u>
Support services:						
Student	100,901	-	-	(100,901)	-	(100,901)
Instructional staff	217,198	-	-	(217,198)	-	(217,198)
Administration	328,726	-	-	(328,726)	-	(328,726)
Operation and maintenance of plant	468,816	-	-	(468,816)	-	(468,816)
Transportation	221,651	-	4,621	(217,030)	-	(217,030)
	<u>1,337,292</u>	<u>-</u>	<u>4,621</u>	<u>(1,332,671)</u>	<u>-</u>	<u>(1,332,671)</u>
Long-term debt interest	194,632	-	-	(194,632)	-	(194,632)
Other expenditures:						
AEA flowthrough	205,684	-	205,684	-	-	-
Depreciation(unallocated)*	227,748	-	-	(227,748)	-	(227,748)
	<u>433,432</u>	<u>-</u>	<u>205,684</u>	<u>(227,748)</u>	<u>-</u>	<u>(227,748)</u>
Total governmental activities	<u>5,424,905</u>	<u>392,039</u>	<u>508,087</u>	<u>(4,524,779)</u>	<u>-</u>	<u>(4,524,779)</u>
Business Type activities:						
Instruction:						
Other	8,904	-	-	-	(8,904)	(8,904)
Support services:						
Operation and maintenance of plant	3,015	-	-	-	(3,015)	(3,015)
Non-instructional programs:						
Food service operations	247,180	127,043	132,235	-	12,098	12,098
Total business type activities	<u>259,099</u>	<u>127,043</u>	<u>132,235</u>	<u>-</u>	<u>179</u>	<u>179</u>
Total	<u>\$ 5,684,004</u>	<u>519,082</u>	<u>640,322</u>	<u>(4,524,779)</u>	<u>179</u>	<u>(4,524,600)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,619,330	-	1,619,330
Capital outlays				246,619	-	246,619
Debt service				398,684	-	398,684
Income surtax				244,531	-	244,531
Statewide sales, services and use tax				441,471	-	441,471
Unrestricted state grants				2,317,456	-	2,317,456
Unrestricted investment earnings				4,051	5	4,056
Other general revenues				57,899	3,699	61,598
Total general revenues				<u>5,330,041</u>	<u>3,704</u>	<u>5,333,745</u>
Changes in net position				805,262	3,883	809,145
Net position beginning of year, as restated				<u>5,414,212</u>	<u>98,166</u>	<u>5,512,378</u>
Net position end of year				<u>\$ 6,219,474</u>	<u>102,049</u>	<u>6,321,523</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, 2015

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 1,577,651	360,805	546,792	366,829	33,913	2,885,990
Receivables:						
Property tax:						
Delinquent	13,433	1,631	2,248	3,635	-	20,947
Succeeding year	1,293,732	375,001	255,141	411,177	-	2,335,051
Income surtax	219,184	-	-	-	-	219,184
Accounts	16,589	-	-	-	150	16,739
Due from other governments	74,977	-	68,252	-	-	143,229
TOTAL ASSETS	\$ 3,195,566	737,437	872,433	781,641	34,063	5,621,140
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 23,051	-	-	-	-	23,051
Salaries and benefits payable	432,993	-	-	-	-	432,993
Total liabilities	456,044	-	-	-	-	456,044
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,293,732	375,001	255,141	411,177	-	2,335,051
Income surtax	219,184	-	-	-	-	219,184
Total deferred inflows of resources	1,512,916	375,001	255,141	411,177	-	2,554,235
Fund balances:						
Restricted for:						
Categorical funding	189,727	-	-	-	-	189,727
Debt service	-	-	-	370,464	-	370,464
Management levy purposes	-	362,436	-	-	-	362,436
Student activities	-	-	-	-	38,932	38,932
School infrastructure	-	-	464,620	-	-	464,620
Physical plant and equipment	-	-	152,672	-	-	152,672
Unassigned:						
General	1,036,879	-	-	-	-	1,036,879
Student activities	-	-	-	-	(4,869)	(4,869)
Total fund balances	1,226,606	362,436	617,292	370,464	34,063	2,610,861
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,195,566	737,437	872,433	781,641	34,063	5,621,140

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds (page 22)		\$ 2,610,861
 <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 the governmental funds.		9,799,392
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.		219,184
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.		(15,428)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 334,316	
Deferred inflows of resources	<u>(650,978)</u>	(316,662)
Long-term liabilities, including bonds payable, termination benefits payable, net pension liabilities and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.		<u>(6,077,873)</u>
Net position of governmental activities (page 20)		<u><u>\$ 6,219,474</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, 2015

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,648,131	175,302	246,619	398,684	-	2,468,736
Tuition	268,917	-	-	-	-	268,917
Other	82,256	1,801	-	3,890	103,557	191,504
State sources	2,632,188	798	442,573	1,783	-	3,077,342
Federal sources	183,240	-	-	-	-	183,240
Total revenues	4,814,732	177,901	689,192	404,357	103,557	6,189,739
EXPENDITURES:						
Current:						
Instruction:						
Regular	2,199,039	41,769	74,786	-	104,399	2,419,993
Special	618,727	-	-	-	-	618,727
Other	534,402	-	-	-	-	534,402
	3,352,168	41,769	74,786	-	104,399	3,573,122
Support services:						
Student	104,643	-	-	-	-	104,643
Instructional staff	157,133	-	24,820	-	-	181,953
Administration	514,487	-	-	-	-	514,487
Operation and maintenance of plant	364,011	31,645	56,411	-	-	452,067
Transportation	150,510	6,280	-	-	-	156,790
	1,290,784	37,925	81,231	-	-	1,409,940
Capital outlay	-	-	87,992	-	-	87,992
Long-term debt:						
Principal	-	-	-	480,000	-	480,000
Interest and fiscal charges	-	-	-	195,211	-	195,211
	-	-	-	675,211	-	675,211
Other expenditures:						
AEA flowthrough	205,684	-	-	-	-	205,684
Total expenditures	4,848,636	79,694	244,009	675,211	104,399	5,951,949
Excess(Deficiency) of revenues over(under) expenditures	(33,904)	98,207	445,183	(270,854)	(842)	237,790
Other financing sources(uses):						
Transfer in	-	-	-	276,054	-	276,054
Transfer out	-	-	(276,054)	-	-	(276,054)
Total other financing sources(uses)	-	-	(276,054)	276,054	-	-
Net change in fund balances	(33,904)	98,207	169,129	5,200	(842)	237,790
Fund balances beginning of year	1,260,510	264,229	448,163	365,264	34,905	2,373,071
Fund balances end of year	\$ 1,226,606	362,436	617,292	370,464	34,063	2,610,861

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, 2015

Net change in fund balances - total governmental funds (page 24)	\$	237,790
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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	\$ 267,524	
Depreciation expense	<u>(351,903)</u>	(84,379)
 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.		
		480,000
 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.		
		579
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		40,428
 The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		
		246,284
 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	12,359	
Pension expense	(110,326)	
Other postemployment benefits	<u>(17,473)</u>	<u>(115,440)</u>
 Change in net position of governmental activities (page 21)	 \$	 <u><u>805,262</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	School Nutrition	Building Trades Class	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 94,122	40,387	134,509
Inventories	5,972	-	5,972
Total current assets	<u>100,094</u>	<u>40,387</u>	<u>140,481</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	13,016	-	13,016
TOTAL ASSETS	<u>113,110</u>	<u>40,387</u>	<u>153,497</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	9,433	-	9,433
LIABILITIES			
Current liabilities			
Unearned revenue	2,438	-	2,438
Noncurrent liabilities:			
Net pension liability	41,546	-	41,546
TOTAL LIABILITIES	<u>43,984</u>	<u>-</u>	<u>43,984</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	16,897	-	16,897
NET POSITION			
Net investment in capital assets	13,016	-	13,016
Unrestricted	48,646	40,387	89,033
TOTAL NET POSITION	<u>\$ 61,662</u>	<u>40,387</u>	<u>102,049</u>

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, 2015

	School Nutrition	Building Trades Class	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 127,043	-	127,043
Miscellaneous	3,699	-	3,699
TOTAL OPERATING REVENUES	130,742	-	130,742
OPERATING EXPENSES:			
Instruction:			
Other:			
Services	-	25	25
Supplies	-	8,879	8,879
	-	8,904	8,904
Support services:			
Operation and maintenance of plant:			
Services	3,015	-	3,015
Non-instructional programs:			
Food service operations:			
Salaries	83,773	-	83,773
Benefits	9,300	-	9,300
Services	1,510	-	1,510
Supplies	150,678	-	150,678
Other	291	-	291
Depreciation	1,628	-	1,628
Total non-instructional programs:	247,180	-	247,180
TOTAL OPERATING EXPENSES	250,195	8,904	259,099
OPERATING LOSS	(119,453)	(8,904)	(128,357)
NON-OPERATING REVENUES:			
State sources	2,225	-	2,225
Federal sources	130,010	-	130,010
Interest on investments	5	-	5
TOTAL NON-OPERATING REVENUES	132,240	-	132,240
Changes in net position	12,787	(8,904)	3,883
Net position beginning of year, as restated	48,875	49,291	98,166
Net position end of year	\$ 61,662	40,387	102,049

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	School Nutrition	Building Trades Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 126,944	-	126,944
Cash received from miscellaneous	3,699	-	3,699
Cash payments to employees for services	(97,358)	-	(97,358)
Cash payments to suppliers for goods or services	(138,862)	(8,904)	(147,766)
Net cash used in operating activities	(105,577)	(8,904)	(114,481)
Cash flows from non-capital financing activities:			
State grants received	2,225	-	2,225
Federal grants received	113,291	-	113,291
Net cash provided by non-capital financing activities	115,516	-	115,516
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(9,158)	-	(9,158)
Cash flows from investing activities:			
Interest on investments	5	-	5
Net increase(decrease) in cash and pooled investments	786	(8,904)	(8,118)
Cash and pooled investments beginning of year	93,336	49,291	142,627
Cash and pooled investments end of year	\$ 94,122	40,387	134,509
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (119,453)	(8,904)	(128,357)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	16,719	-	16,719
Depreciation	1,628	-	1,628
Increase in inventories	(87)	-	(87)
Decrease in net pension liability	(17,870)	-	(17,870)
Increase in deferred outflows of resources	(3,312)	-	(3,312)
Increase in deferred inflows of resources	16,897	-	16,897
Decrease in unearned revenue	(99)	-	(99)
Net cash used in operating activities	\$ (105,577)	(8,904)	(114,481)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal Commodities valued at \$16,719.

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 10,272</u>
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust 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, 2015

	<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>704</u>
Change in net position	-
Net position beginning of year	<u>10,272</u>
Net position end of year	<u>\$ 10,272</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

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 Class Funds. These funds are used to account for the food service, and buildings trade class operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications – 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 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, 2015, the District had no investments.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 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>\$ 276,054</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, 2015 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in progress	46,000	8,000	54,000	-
Total capital assets not being depreciated	<u>56,000</u>	<u>8,000</u>	<u>54,000</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	13,164,460	108,200	-	13,272,660
Land improvements	358,475	-	-	358,475
Machinery and equipment	2,161,606	205,324	13,450	2,353,480
Total capital assets being depreciated	<u>15,684,541</u>	<u>313,524</u>	<u>13,450</u>	<u>15,984,615</u>
Less accumulated depreciation for:				
Buildings	3,704,817	222,037	-	3,926,854
Land improvements	283,531	5,711	-	289,242
Machinery and equipment	1,868,422	124,155	13,450	1,979,127
Total accumulated depreciation	<u>5,856,770</u>	<u>351,903</u>	<u>13,450</u>	<u>6,195,223</u>
Total capital assets being depreciated, net	<u>9,827,771</u>	<u>(38,379)</u>	<u>54,000</u>	<u>9,789,392</u>
Governmental activities capital assets, net	<u>\$ 9,883,771</u>	<u>(30,379)</u>	<u>108,000</u>	<u>9,799,392</u>
Business type activities:				
Machinery and equipment	\$ 106,021	9,158	4,475	110,704
Less accumulated depreciation	100,535	1,628	4,475	97,688
Business type activities capital assets, net	<u>\$ 5,486</u>	<u>7,530</u>	<u>-</u>	<u>13,016</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,059
Other	10,659
Support services:	
Instructional staff	38,175
Administrative	1,290
Operation and maintenance of plant	3,722
Transportation	68,250
	<u>124,155</u>
Unallocated depreciation	<u>227,748</u>
Total governmental activities depreciation expense	<u>\$ 351,903</u>
Business type activities:	
Food service operations	<u>\$ 1,628</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,700,000	-	330,000	1,370,000	80,000
Revenue bonds	3,075,000	-	150,000	2,925,000	155,000
Termination benefits	83,009	12,490	24,849	70,650	27,030
Net pension liability	2,289,035	-	688,452	1,600,583	-
Net OPEB liability	94,167	17,473	-	111,640	-
Total	<u>\$ 7,241,211</u>	<u>29,963</u>	<u>1,193,301</u>	<u>6,077,873</u>	<u>262,030</u>
Business type activities:					
Net pension liability	\$ 59,416	-	17,870	41,546	-

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated July 15, 2010			
	Interest Rates	Principal	Interest	Total
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	3.80	180,000	97,672	277,672
2020-2024	3.80-4.30	1,050,000	372,063	1,422,063
2025-2029	4.35-4.60	1,035,000	120,751	1,155,751
Total		<u>\$ 2,925,000</u>	<u>1,039,866</u>	<u>3,964,866</u>

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 62 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,964,866. For the current year, \$150,000 in principal and \$125,563 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$441,471.

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, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Issue Dated July 1, 2010				
	Interest Rates		Principal	Interest	Total
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	3.60		95,000	54,187	149,187
2021-2025	3.60-4.10		525,000	214,977	739,977
2026-2029	4.20-4.60		410,000	75,085	485,085
Total			\$ 1,370,000	588,659	1,958,659

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2015. 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, 2015. The application was subject to approval by the Board of Education.

The early retirement benefit for each eligible employee was equal to \$10,000 placed in a Health Reimbursement Account to cover individual insurance costs until the \$10,000 is exhausted. Each retiree also received \$20 per day of unused sick days that are left over at the end of the year. The District had one participant who retired during fiscal 2015 and a total liability of \$12,490.

At June 30, 2015, the District has obligations to three participants with a total liability of \$70,650 payable from the General Fund and Management Levy Fund. Actual early retirement expenditures for the year totaled \$24,849. 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. Bond Defeasement

On April 8, 2014, as part of the District’s budgeting process, the District’s Board of Directors approved an additional debt service levy tax to advance refund a portion of the general obligation bonds issued July 1, 2010. The District levied at a rate of \$2.68958 per \$1,000 taxable valuation for fiscal year 2015. The additional \$250,000 of property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which will be used to pay \$145,000 of principal on bonds maturing 2030 and \$105,000 of principal on the bonds maturing 2029 when the bonds become callable on June 1, 2020. As a result, \$250,000 of the July 1, 2010 Series bonds are considered to be defeased and the liability for those bonds has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the escrow account is insufficient to pay the refunded bonds. At June 30, 2015, \$250,000 of such bonds are outstanding. The economic savings from this bond refunding is \$111,620.

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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 27,577
Interest on net OPEB obligation	2,354
Adjustment to annual required contribution	(8,449)
Annual OPEB cost	<u>21,482</u>
Contributions made	<u>(4,009)</u>
Increase in net OPEB obligation	17,473
Net OPEB obligation beginning of year	<u>94,167</u>
Net OPEB obligation end of year	<u>\$ 111,640</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, 2015.

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
2013	\$ 27,991	33.81%	\$ 77,980
2014	23,255	30.39	94,167
2015	21,482	18.66	111,640

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$131,269 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$131,269. The covered payroll (annual payroll of active employees covered by the plan) was \$2,292,114 and the ratio of the UAAL to covered payroll was 5.73%. As of June 30, 2015, 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, presents 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 Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$253,431.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,642,129 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.040576 percent, which was a decrease of 0.000902 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$113,188. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,847	\$ -
Changes of assumptions	72,471	-
Net difference between projected and actual earnings on pension plan investments	-	626,261
Changes in proportion and differences between District contributions and proportionate share of contributions	-	41,614
District contributions subsequent to the measurement date	253,431	-
Total	<u>\$ 343,749</u>	<u>\$ 667,875</u>

\$253,431 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (145,186)
2017	(145,186)
2018	(145,186)
2019	(145,186)
2020	3,187
	<u>\$ (577,557)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 3,102,757	\$ 1,642,129	\$ 409,208

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$29,081 for legally required employer contributions and \$19,376 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 9. Deficit Accounts

At June 30, 2015, the District had deficit unrestricted net position of \$835,851 in the governmental activities. The District had one account in the Special Revenue, Student Activity Fund with a deficit unassigned balance of \$4,869 at June 30, 2015.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$205,684 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. 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, 2015 were \$452,329.

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 12. Categorical Funding

The District’s restricted balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Limited english proficient	\$ 2,695
Home school assistance program	4,876
Weighted at-risk programs	38,020
Gifted and talented programs	35,330
Returning dropouts and dropout prevention programs	40,384
Beginning teacher mentoring and induction program	11,191
Teacher salary supplement	24,907
Market factor	3,667
Successful progression for early readers	6,959
Professional development	21,512
Professional development for model core curriculum	186
Total	<u>\$ 189,727</u>

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 three years are as follows:

<u>Year Ended</u>	<u>Lease Payment</u>
June 30	
2016	\$ 3,394
2017	3,394
2018	566
	<u>\$ 7,353</u>

Note 14. 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)	\$ -	362,436	370,464	1,036,879
Capital assets, net of accumulated depreciation	9,799,392	-	-	-
General obligation bond capitalized indebtedness	(1,370,000)	-	-	-
Revenue bond capitalized indebtedness	(2,925,000)	-	-	-
Termination benefits	-	(12,490)	-	(58,160)
Accrued interest payable	-	-	(15,428)	-
Income surtax receivable	-	-	-	219,184
Net OPEB liability	-	-	-	(111,640)
Net pension liability	-	-	-	(1,600,583)
Pension related deferred outflows of resources	-	-	-	334,316
Pension related deferred inflows of resources	-	-	-	(650,978)
Unassigned for student activities	-	-	-	(4,869)
Net position (Exhibit A)	\$ 5,504,392	349,946	355,036	(835,851)

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Building Trades Class	Total
Net position June 30, 2014, as previously reported	\$ 7,467,415	\$ 102,170	49,291	151,461
Net pension liability at June 30, 2014	(2,289,035)	(59,416)	-	(59,416)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	235,832	6,121	-	6,121
Net position July 1, 2014, as restated	\$ 5,414,212	\$ 48,875	49,291	98,166

Note 16. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

Dunkerton Community School District

Required Supplementary Information

DUNKERTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,929,157	130,747	3,059,904	3,384,713	3,384,713	(324,809)
State sources	3,077,342	2,225	3,079,567	2,889,967	2,889,967	189,600
Federal sources	183,240	130,010	313,250	300,000	300,000	13,250
Total revenues	<u>6,189,739</u>	<u>262,982</u>	<u>6,452,721</u>	<u>6,574,680</u>	<u>6,574,680</u>	<u>(121,959)</u>
Expenditures/expenses:						
Instruction	3,573,122	8,904	3,582,026	4,000,000	4,000,000	417,974
Support services	1,409,940	3,015	1,412,955	1,744,000	1,744,000	331,045
Non-instructional programs	-	247,180	247,180	210,000	210,000	(37,180)
Other expenditures	968,887	-	968,887	1,140,015	1,140,015	171,128
Total expenditures/expenses	<u>5,951,949</u>	<u>259,099</u>	<u>6,211,048</u>	<u>7,094,015</u>	<u>7,094,015</u>	<u>882,967</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	237,790	3,883	241,673	(519,335)	(519,335)	761,008
Balances beginning of year, as restated	<u>2,373,071</u>	<u>98,166</u>	<u>2,471,237</u>	<u>1,258,629</u>	<u>1,258,629</u>	<u>1,212,608</u>
Balances end of year	<u>\$ 2,610,861</u>	<u>102,049</u>	<u>2,712,910</u>	<u>739,294</u>	<u>739,294</u>	<u>1,973,616</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 184,109	184,109	0.0%	\$ 1,728,147	10.65%
2011	July 1, 2009	-	184,109	184,109	0.0%	1,448,809	12.71%
2012	July 1, 2009	-	184,109	184,109	0.0%	1,859,732	9.90%
2013	July 1, 2012	-	147,868	147,868	0.0%	1,962,110	7.54%
2014	July 1, 2012	-	137,265	137,265	0.0%	2,225,224	6.17%
2015	July 1, 2012	-	131,269	131,269	0.0%	2,292,114	5.73%

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.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.040576%
District's proportionate share of the net pension liability	\$ 1,642,129
District's covered-employee payroll	\$ 2,837,975
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.86%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 253,431	241,783	228,797	206,843	190,121	180,829	173,769	154,277	124,058	146,452
Contributions in relation to the statutorily required contribution	(253,431)	(241,783)	(228,797)	(206,843)	(190,121)	(180,829)	(173,769)	(154,277)	(124,058)	(146,452)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,837,975	2,707,536	2,638,950	2,563,110	2,735,554	2,601,856	2,736,520	2,550,033	2,157,530	2,546,991
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 396,368	150,424	546,792
Receivables:			
Property tax:			
Delinquent	-	2,248	2,248
Succeeding year	-	255,141	255,141
Due from other governments	68,252	-	68,252
TOTAL ASSETS	\$ 464,620	407,813	872,433
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	255,141	255,141
Fund balances:			
Restricted for:			
School infrastructure	464,620	-	464,620
Physical plant and equipment	-	152,672	152,672
Total fund balances	464,620	152,672	617,292
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 464,620	407,813	872,433

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	246,619	246,619
State sources	441,471	1,102	442,573
Total revenues	441,471	247,721	689,192
Expenditures:			
Current:			
Instruction:			
Regular	74,786	-	74,786
Support services:			
Instructional staff	17,554	7,266	24,820
Operation and maintenance of plant	-	56,411	56,411
Capital outlay	41,765	46,227	87,992
Total expenditures	134,105	109,904	244,009
Excess of revenues over expenditures	307,366	137,817	445,183
Other financing uses:			
Transfer out	(276,054)	-	(276,054)
Change in fund balances	31,312	137,817	169,129
Fund balances beginning of year	433,308	14,855	448,163
Fund balances end of year	\$ 464,620	152,672	617,292

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Interest	\$ 560	35	-	595
Dramatics & Speech	685	-	10	675
Cheerleaders	934	4,720	4,438	1,216
Athletics	(13,913)	43,799	34,755	(4,869)
Class of 2014	670	-	670	-
Class of 2015	426	811	968	269
Class of 2016	1,553	1,359	1,933	979
Class of 2017	888	-	-	888
Class of 2018	432	-	-	432
Yearbook	2,294	4,685	4,179	2,800
Lego League	-	100	99	1
Student Leadership Committee	1,530	4,327	4,573	1,284
Elementary School Projects	3,600	-	3,600	-
Secondary School Projects	94	-	94	-
Resale Supplies	171	-	-	171
General Student Projects	447	-	447	-
Summer Recreation	1,661	7,617	6,066	3,212
Student Senate	2,881	838	1,511	2,209
Pop Fund	8,722	9,160	15,661	2,221
Honor Society	560	737	977	320
Athletic Resale	255	-	-	255
Drama	537	475	14	998
Vocal	2,356	1,375	1,432	2,300
Band	732	1,696	1,002	1,426
Girl's Track	2,505	1,090	922	2,673
Boys Track	2,133	2,080	3,284	929
Cross Country	-	1,586	1,583	3
Golf	36	-	-	36
Boys Basketball	2,741	3,126	2,691	3,175
Football	1,628	4,117	1,480	4,265
Baseball	1,484	1,678	2,325	837
Girl's Basketball	2,388	5,357	6,248	1,497
Volleyball	2,933	2,689	2,749	2,872
Softball	982	200	787	395
Total	<u>\$ 34,905</u>	<u>103,557</u>	<u>104,399</u>	<u>34,063</u>

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,468,736	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
Tuition	268,917	186,615	200,942	183,728	234,584	213,480	180,807	201,595	239,939	263,552
Other	191,504	269,314	206,219	285,258	264,174	207,735	225,187	264,417	296,698	835,888
State sources	3,077,342	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
Federal sources	183,240	206,703	226,391	291,309	295,062	509,846	231,019	154,596	171,291	139,492
Total	\$ 6,189,739	6,245,188	6,064,394	5,815,035	6,017,290	5,430,441	5,018,510	5,063,873	4,965,081	4,929,754
Expenditures:										
Instruction:										
Regular	\$ 2,419,993	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
Special	618,727	574,823	583,408	657,536	525,265	673,534	623,383	448,878	291,846	331,681
Other	534,402	679,661	688,514	624,957	627,557	534,244	482,748	492,983	530,123	478,949
Support services:										
Student	104,643	88,531	85,280	79,877	76,994	97,849	133,320	109,809	85,424	85,233
Instructional staff	181,953	145,599	164,041	145,618	184,380	139,512	130,833	125,191	153,019	123,073
Administration	514,487	493,963	495,516	495,954	483,889	523,291	502,298	495,673	484,621	484,893
Operation and maintenance										
of plant	452,067	419,399	727,155	420,371	396,763	412,631	435,919	482,796	442,855	382,826
Transportation	156,790	285,268	326,035	223,665	269,619	187,550	223,431	197,528	182,233	176,020
Capital outlay	87,992	246,773	706,291	1,865,111	3,922,744	76,705	18,180	4,453	40,749	-
Long-term debt:										
Principal	480,000	225,000	220,000	215,000	225,000	-	325,000	1,090,000	335,000	315,000
Interest	195,211	200,081	204,885	211,695	199,557	-	8,968	51,575	69,614	87,214
Other expenditures:										
AEA flow-through	205,684	205,054	198,213	204,848	223,667	205,342	171,089	169,206	162,278	151,114
Refund of prior year tax	-	-	-	-	-	-	187,641	-	-	-
Total	\$ 5,951,949	5,779,028	6,528,988	7,303,733	9,430,873	4,927,807	5,291,162	5,657,566	4,703,099	4,461,620

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, 2015, 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 28, 2016.

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 a material weakness 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-15 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-15 and I-C-15 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, 2015 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 28, 2016
Newton, Iowa

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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 one or more 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 continues to review employee responsibilities on a regular basis and to assign (or reassign) financial tasks as the need arises. As state funding/tax revenues continue to drop, the District continues to look for ways to maintain an improved level of internal control with these financial responsibilities without placing the District in a funding crisis. District is looking into outside sharing options.

Conclusion - Response accepted.

I-B-15 Grant Coding - We noted the District has several grants (TSS/Preschool/REAP) 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 Administrative team continues to try and keep accounting staff aware of grants they apply for throughout the year as well as staffing changes. Financial staff will continue to monitor state guidelines/financial application changes and reports filed for claim reimbursements.

Conclusion - Response accepted.

I-C-15 Student Activity Fund - We noted during our audit that interest earned within the Student Activity Fund during the year was not allocated to individual Student Activity Fund accounts.

Recommendation - Interest received in the Student Activity Fund should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Response - Accounts payable staff have been reminded that interest earned in Student Activity Fund should be monitored/recorded throughout the year and distributed to individual student accounts within the fund as soon as fiscal year is complete.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the non-instructional programs functional area.

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

Response - Financial staff will more closely monitor Certified Budget expenses, especially as we near the end of the fiscal year. Budget estimates/costing will be reviewed more closely. If administration and financial staff think expenses may exceed Certified Budget amounts, budget amendment will be drafted and submitted by May 15th of that fiscal year.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-15 Supplementary Weighting - We noted a variance in the supplementary weighting data certified to the Department of Education. Supplementary weighting was overstated by 0.022.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-I-15 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-15 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.

II-L-15 Financial Condition - At June 30, 2015, the District had deficit unrestricted net position of \$835,851 in the governmental activities. The primary reason for the deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The District also had a deficit account in the Special Revenue, Student Activity Fund totaling \$4,869 at June 30, 2015.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$1,600,583 at June 30, 2015.

Conclusion - Response accepted.

II-M-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	433,308
Revenues:			
Sales tax revenues			441,471
			<u>874,779</u>
Expenditures/transfers out:			
School infrastructure construction	13,161		
Equipment	102,354		
Other	18,590		
Transfers to other funds:			
Debt service fund	276,054		410,159
			<u>\$ 464,620</u>

For the year ended June 30, 2015 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-15 Fieldtrips - We noted during our audit that the District is charging for a field trip. We also noted that it appeared that the fieldtrip is counted as part of the 180 days of instruction.

Recommendation - The August 14, 2008 Declaratory Ruling issued by the Department of Education, states that "costs associated with field trips may not be passed along to students if the field trip is a part of a class, whether or not attendance is mandatory". It further states "When a field trip is part of a class, the activity is part of instruction, and therefore falls under tuition, not an allowable fee. If the activity is not part of instruction, the field trip should not be taking place during a "day of instruction" unless the day is not counted by the District as one of its 180 days of instruction for students. Therefore, there may be no charge passed along to students for an activity that is even more clearly part of a class activity."

Response - Administrative Team will continue to monitor, review all planned field trip activity & inform teaching staff about "costing guidelines" and expenses tied to any prospective "overnight" trips. Trips will be categorized specifically as instructional or non-instructional and expenses coded accordingly. Discussion item has been added to Board Agenda for Feb. 15, 2016 meeting.

Conclusion - Response accepted.