

DUNKERTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Schedule of the District's Proportionate Share of the Net Pension Liability		49
Schedule of District Contributions		50
Notes to Required Supplementary Information - Pension Liability		51
Supplementary Information:	<u>Schedule</u>	
<i>Capital Projects Fund Accounts:</i>		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	57
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>		58-59
Schedule of Findings		60-63

Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
Kirby Marquart	President	2015
Elizabeth Downs	Vice President	2015
Alen Nagel	Board Member	2017
Tony Gamerdinger	Board Member	2017
Amber Shimp	Board Member	2017
(After September 2015 Election)		
Kirby Marquart	President	2019
Amber Shimp	Vice President	2017
Elizabeth Downs	Board Member	2019
Alen Nagel	Board Member	2017
Tony Gamerdinger	Board Member	2017
School Officials		
Jim Stanton	Superintendent	2016
Amy Morley	Board Secretary/Treasurer	2016
Ahlers & Cooney, P.C.	Attorney	2016

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 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, 2016, 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management’s Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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 six years ended June 30, 2015 (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 three 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 February 16, 2017, on our consideration of the Dunkerton Community School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Dunkerton Community School District’s internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2017
Newton, Iowa

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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,814,732 in fiscal year 2015 to \$4,872,338 in fiscal year 2016, while General Fund expenditures decreased from \$4,848,636 in fiscal year 2015 to \$4,841,866 in fiscal year 2016. The District's General Fund balance increased from \$1,226,606 at June 30, 2015 to \$1,257,078 at June 30, 2016, a 2.48% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in tuition and state source revenue compared to the prior year. The decrease in expenditures was due primarily to a decrease 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.

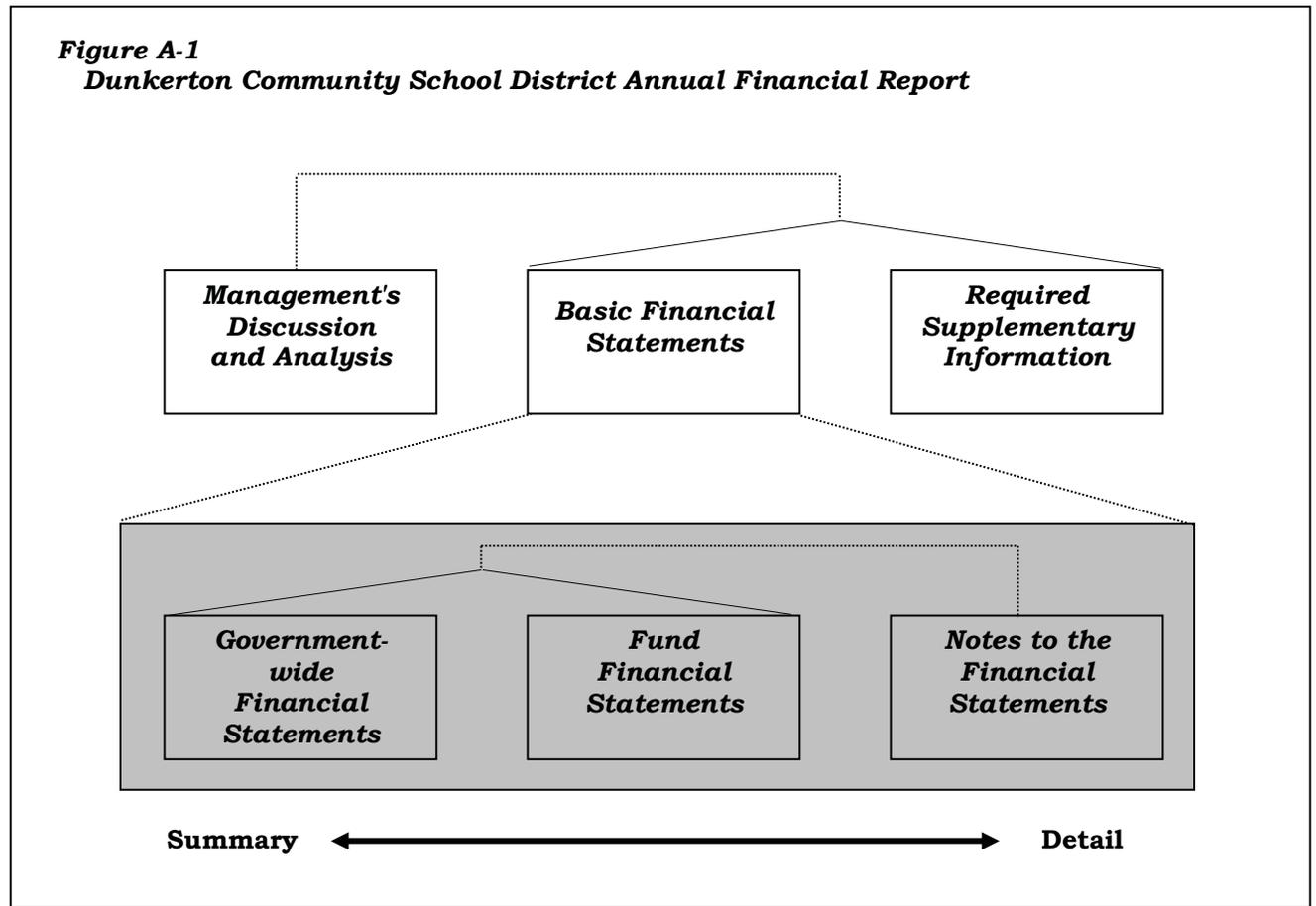


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 the 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, 2016 compared to June 30, 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June, 30
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 6,565,104	5,621,140	139,647	140,481	6,704,751	5,761,621	16.37%
Capital assets	9,493,529	9,799,392	13,695	13,016	9,507,224	9,812,408	-3.11%
Total assets	16,058,633	15,420,532	153,342	153,497	16,211,975	15,574,029	4.10%
Deferred outflows of resources	361,937	334,316	10,261	9,433	372,198	343,749	8.28%
Long-term liabilities	6,295,151	6,077,873	52,952	41,546	6,348,103	6,119,419	3.74%
Other liabilities	506,091	471,472	2,651	2,438	508,742	473,910	7.35%
Total liabilities	6,801,242	6,549,345	55,603	43,984	6,856,845	6,593,329	4.00%
Deferred inflows of resources	2,593,160	2,986,029	3,766	16,897	2,596,926	3,002,926	-13.52%
Net position:							
Net investment in capital assets	5,433,529	5,504,392	13,695	13,016	5,447,224	5,517,408	-1.27%
Restricted	2,311,977	1,550,933	-	-	2,311,977	1,550,933	49.07%
Unrestricted	(719,338)	(835,851)	90,539	89,033	(628,799)	(746,818)	15.80%
Total net position	\$ 7,026,168	6,219,474	104,234	102,049	7,130,402	6,321,523	12.80%

The District's total net position increased by 12.80%, or \$808,879 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents 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 \$761,044, or 49.07% over the prior year. This increase was primarily a result of the increase in the amounts restricted for debt service and management levy purposes 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 - increased \$118,019, or 15.80%. This increase in unrestricted net position was primarily a result of the District's change in deferred outflows of resources and deferred inflows of resources related to the net pension liability.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 485,320	392,039	114,898	127,043	600,218	519,082	15.63%
Operating grants, contributions and restricted interest	467,120	508,087	126,866	132,235	593,986	640,322	-7.24%
General revenues:							
Property tax	2,323,853	2,264,633	-	-	2,323,853	2,264,633	2.61%
Income surtax	189,597	244,531	-	-	189,597	244,531	-22.47%
Statewide sales, services and use tax	441,062	441,471	-	-	441,062	441,471	-0.09%
Unrestricted state grants	2,490,088	2,317,456	-	-	2,490,088	2,317,456	7.45%
Unrestricted investment earnings	3,237	4,051	37	5	3,274	4,056	-19.28%
Other	68,427	57,899	2,080	3,699	70,507	61,598	14.46%
Total revenues	6,468,704	6,230,167	243,881	262,982	6,712,585	6,493,149	3.38%
Program expenses:							
Instruction	3,441,910	3,459,549	2,748	8,904	3,444,658	3,468,453	-0.69%
Support services	1,600,563	1,337,292	300	3,015	1,600,863	1,340,307	19.44%
Non-instructional programs	-	-	238,648	247,180	238,648	247,180	-3.45%
Other expenses	619,537	628,064	-	-	619,537	628,064	-1.36%
Total expenses	5,662,010	5,424,905	241,696	259,099	5,903,706	5,684,004	3.87%
Change in net position	806,694	805,262	2,185	3,883	808,879	809,145	-0.03%
Net position beginning of year	6,219,474	5,414,212	102,049	98,166	6,321,523	5,512,378	14.68%
Net position end of year	\$ 7,026,168	6,219,474	104,234	102,049	7,130,402	6,321,523	12.80%

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.17% of the revenue from governmental activities. Charges for service and operating grants and contributions accounted for 99.13% of the revenue for the business type activities.

The District's total revenues were \$6,712,585, of which \$6,468,704 was for governmental activities and \$243,881 was for business type activities.

As shown, in Figure A-4, the District as a whole experienced a 3.38% increase in revenues and an increase in expenditures of 3.87%. An increase in unrestricted state grants was the primary cause of the increase in revenues while an increase in support service expenditures was the primary cause of the increase in expenditures during the year.

Governmental Activities

Revenues for governmental activities were \$6,468,704 and expenses were \$5,662,010 for the year ended June 30, 2016.

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, 2016 compared to those expenses for the year ended June 30, 2015.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 3,441,910	3,459,549	-0.51%	2,702,262	2,769,728	-2.44%
Support services	1,600,563	1,337,292	19.69%	1,593,656	1,332,671	19.58%
Other expenses	619,537	628,064	-1.36%	413,652	422,380	-2.07%
Totals	\$ 5,662,010	5,424,905	4.37%	4,709,570	4,524,779	4.08%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$485,320.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$467,120.
- The net cost of governmental activities was financed with \$2,323,853 in property tax, \$189,597 in income surtax, \$441,062 in statewide sales, services and use tax, \$2,490,088 in unrestricted state grants, \$3,237 in interest income and \$68,427 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2016 were \$243,881, representing a decrease of 7.26% from the prior year, while expenses were \$241,696, a 6.72% decrease from 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 \$3,475,549, above last year's ending fund balances of \$2,610,861. The Capital Projects Fund, the Debt Service Fund and the Management Levy Fund all experienced comparable improvement leading to the increase in combined fund balances.

Governmental Fund Highlights

- The District's General Fund financial position increased from \$1,226,606 at June 30, 2015 to \$1,257,078 at June 30, 2016 and is the product of many factors. Increases in revenues from tuition and state sources during the year resulted in an increase in revenues. General fund expenditures decreased during the year.
- The Management Levy Fund balance increased from \$362,436 at June 30, 2015 to \$622,708 at June 30, 2016. This was primarily due to an increase in revenues during the year.
- The District's Capital Projects Fund balance increased from \$617,292 at June 30, 2015 to \$918,277 at June 30, 2016. The District reduced Capital Projects Fund expenditures by nearly 23% compared to the prior year which led to the increase in fund balance.
- The District's Debt Service Fund balance experienced an increase from \$370,464 at June 30, 2015 to \$641,372 at June 30, 2016.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$61,662 at June 30, 2015 to \$66,595 at June 30, 2016, representing an increase of 8.00%. The increase in net position of the School Nutrition Fund is primarily a result of the decrease in expenditures compared to the prior year. The Building Trades Class Fund net position decreased from \$40,387 at June 30, 2015 to \$37,639 at June 30, 2016 due to continued instruction related expenditures.

BUDGETARY HIGHLIGHTS

The District's revenues were \$22,290 more than budgeted revenues, a variance of 0.33%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$9,507,224, 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 3.11% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$331,626.

The original cost of the District's capital assets was \$15,999,802. Governmental funds accounted for \$15,886,582 with the remainder of \$113,220 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$309,931 at June 30, 2016, compared to \$387,369 reported at June 30, 2015. This decrease resulted from the District annual depreciation taken during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2015-16
Land	\$ 10,000	10,000	-	-	10,000	10,000	0.00%
Buildings	9,123,769	9,345,806	-	-	9,123,769	9,345,806	-2.38%
Land improvements	63,524	69,233	-	-	63,524	69,233	-8.25%
Machinery and equipment	296,236	374,353	13,695	13,016	309,931	387,369	-19.99%
Total	\$ 9,493,529	9,799,392	13,695	13,016	9,507,224	9,812,408	-3.11%

Long-Term Debt

At June 30, 2016, the District had \$6,348,103 in long-term debt outstanding. This represents an increase of 3.74% 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 \$1,290,000 at June 30, 2016.

The District had total outstanding revenue bonded indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$2,770,000 at June 30, 2016.

The District had total outstanding termination benefits payable of \$108,320 at June 30, 2016. \$64,700 of this total is payable from the Management Levy Fund and the remaining \$43,620 is payable from the General Fund.

The District had a net pension liability of \$2,046,587 at June 30, 2016. Governmental activities accounted for \$1,993,635 and business type activities accounted for \$52,952.

The District had a net OPEB liability of \$133,196 as of June 30, 2016.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
General obligation bonds	\$ 1,290,000	1,370,000	-	-	1,290,000	1,370,000	-5.84%
Revenue bonds	2,770,000	2,925,000	-	-	2,770,000	2,925,000	-5.30%
Termination benefits	108,320	70,650	-	-	108,320	70,650	53.32%
Net pension liability	1,993,635	1,600,583	52,952	41,546	2,046,587	1,642,129	24.63%
Net OPEB liability	133,196	111,640	-	-	133,196	111,640	19.31%
Total	\$ 6,295,151	6,077,873	52,952	41,546	6,348,103	6,119,419	3.74%

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, 2016

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,779,592	136,378	3,915,970
Receivables:			
Property tax:			
Delinquent	30,499	-	30,499
Succeeding year	2,394,705	-	2,394,705
Income surtax	203,568	-	203,568
Accounts	5,804	-	5,804
Due from other governments	150,936	-	150,936
Inventories	-	3,269	3,269
Capital assets, net of accumulated depreciation	9,493,529	13,695	9,507,224
TOTAL ASSETS	16,058,633	153,342	16,211,975
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	361,937	10,261	372,198
LIABILITIES			
Accounts payable	47,130	-	47,130
Salaries and benefits payable	444,152	-	444,152
Accrued interest payable	14,809	-	14,809
Unearned revenue	-	2,651	2,651
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	85,000	-	85,000
Revenue bonds	160,000	-	160,000
Termination benefits	68,238	-	68,238
Portion due after one year:			
General obligation bonds	1,205,000	-	1,205,000
Revenue bonds	2,610,000	-	2,610,000
Termination benefits	40,082	-	40,082
Net pension liability	1,993,635	52,952	2,046,587
Net OPEB liability	133,196	-	133,196
TOTAL LIABILITIES	6,801,242	55,603	6,856,845
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	198,455	3,766	202,221
Unavailable property tax revenue	2,394,705	-	2,394,705
TOTAL DEFERRED INFLOWS OF RESOURCES	2,593,160	3,766	2,596,926
NET POSITION			
Net investment in capital assets	5,433,529	13,695	5,447,224
Restricted for:			
Categorical funding	166,892	-	166,892
Debt service	626,563	-	626,563
Management levy purposes	558,008	-	558,008
Student activities	42,237	-	42,237
School infrastructure	612,331	-	612,331
Physical plant and equipment	305,946	-	305,946
Unrestricted	(719,338)	90,539	(628,799)
TOTAL NET POSITION	\$ 7,026,168	104,234	7,130,402

SEE NOTES TO FINANCIAL STATEMENTS.

**DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	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	\$ 2,132,842	259,759	57,769	(1,815,314)	-	(1,815,314)
Special	646,185	73,277	22,416	(550,492)	-	(550,492)
Other	662,883	152,284	174,143	(336,456)	-	(336,456)
	<u>3,441,910</u>	<u>485,320</u>	<u>254,328</u>	<u>(2,702,262)</u>	<u>-</u>	<u>(2,702,262)</u>
Support services:						
Student	88,775	-	-	(88,775)	-	(88,775)
Instructional staff	217,187	-	2,171	(215,016)	-	(215,016)
Administration	556,083	-	-	(556,083)	-	(556,083)
Operation and maintenance of plant	551,336	-	-	(551,336)	-	(551,336)
Transportation	187,182	-	4,736	(182,446)	-	(182,446)
	<u>1,600,563</u>	<u>-</u>	<u>6,907</u>	<u>(1,593,656)</u>	<u>-</u>	<u>(1,593,656)</u>
Long-term debt interest	185,906	-	-	(185,906)	-	(185,906)
Other expenditures:						
AEA flowthrough	205,885	-	205,885	-	-	-
Depreciation(unallocated)*	227,746	-	-	(227,746)	-	(227,746)
	<u>433,631</u>	<u>-</u>	<u>205,885</u>	<u>(227,746)</u>	<u>-</u>	<u>(227,746)</u>
Total governmental activities	<u>5,662,010</u>	<u>485,320</u>	<u>467,120</u>	<u>(4,709,570)</u>	<u>-</u>	<u>(4,709,570)</u>
Business Type activities:						
Instruction:						
Other	2,748	-	-	-	(2,748)	(2,748)
Support services:						
Administration	300	-	-	-	(300)	(300)
Non-instructional programs:						
Food service operations	238,648	114,898	126,866	-	3,116	3,116
Total business type activities	<u>241,696</u>	<u>114,898</u>	<u>126,866</u>	<u>-</u>	<u>68</u>	<u>68</u>
Total	<u>\$ 5,903,706</u>	<u>600,218</u>	<u>593,986</u>	<u>(4,709,570)</u>	<u>68</u>	<u>(4,709,502)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,660,921	-	1,660,921
Capital outlays				253,844	-	253,844
Debt service				409,088	-	409,088
Income surtax				189,597	-	189,597
Statewide sales, services and use tax				441,062	-	441,062
Unrestricted state grants				2,490,088	-	2,490,088
Unrestricted investment earnings				3,237	37	3,274
Other general revenues				68,427	2,080	70,507
Total general revenues				<u>5,516,264</u>	<u>2,117</u>	<u>5,518,381</u>
Change in net position				806,694	2,185	808,879
Net position beginning of year				<u>6,219,474</u>	<u>102,049</u>	<u>6,321,523</u>
Net position end of year				<u>\$ 7,026,168</u>	<u>104,234</u>	<u>7,130,402</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, 2016

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
ASSETS						
Cash and pooled investments	\$ 1,645,301	617,801	843,834	636,024	36,632	3,779,592
Receivables:						
Property tax:						
Delinquent	16,926	4,907	3,318	5,348	-	30,499
Succeeding year	1,427,134	250,001	274,552	443,018	-	2,394,705
Income surtax	203,568	-	-	-	-	203,568
Accounts	5,492	-	-	-	312	5,804
Due from other governments	78,398	-	72,388	-	150	150,936
TOTAL ASSETS	\$ 3,376,819	872,709	1,194,092	1,084,390	37,094	6,565,104
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 44,887	-	1,263	-	980	47,130
Salaries and benefits payable	444,152	-	-	-	-	444,152
Total liabilities	489,039	-	1,263	-	980	491,282
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,427,134	250,001	274,552	443,018	-	2,394,705
Income surtax	203,568	-	-	-	-	203,568
Total deferred inflows of resources	1,630,702	250,001	274,552	443,018	-	2,598,273
Fund balances:						
Restricted for:						
Categorical funding	166,892	-	-	-	-	166,892
Debt service	-	-	-	641,372	-	641,372
Management levy purposes	-	622,708	-	-	-	622,708
Student activities	-	-	-	-	42,237	42,237
School infrastructure	-	-	612,331	-	-	612,331
Physical plant and equipment	-	-	305,946	-	-	305,946
Unassigned:						
General	1,090,186	-	-	-	-	1,090,186
Student activities	-	-	-	-	(6,123)	(6,123)
Total fund balances	1,257,078	622,708	918,277	641,372	36,114	3,475,549
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,376,819	872,709	1,194,092	1,084,390	37,094	6,565,104

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances of governmental funds (page 20)		\$ 3,475,549
 <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.		9,493,529
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.		203,568
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.		(14,809)
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	\$ 361,937	
Deferred inflows of resources	<u>(198,455)</u>	163,482
Long-term liabilities, including bonds payable, termination benefits payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported in governmental funds.		<u>(6,295,151)</u>
Net position of governmental activities (page 18)		<u><u>\$ 7,026,168</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, 2016

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,492,891	373,243	253,844	409,088	-	2,529,066
Tuition	339,845	-	-	-	-	339,845
Other	86,426	9,340	-	2,262	119,111	217,139
State sources	2,784,804	6,156	445,306	5,143	-	3,241,409
Federal sources	156,861	-	-	-	-	156,861
Total revenues	4,860,827	388,739	699,150	416,493	119,111	6,484,320
EXPENDITURES:						
Current:						
Instruction:						
Regular	2,096,041	37,969	-	-	-	2,134,010
Special	656,880	-	-	-	-	656,880
Other	557,802	-	-	-	117,060	674,862
	3,310,723	37,969	-	-	117,060	3,465,752
Support services:						
Student	91,668	-	-	-	-	91,668
Instructional staff	189,366	-	29,003	-	-	218,369
Administration	516,377	-	8,798	-	-	525,175
Operation and maintenance of plant	358,399	84,055	53,314	-	-	495,768
Transportation	169,448	6,443	-	-	-	175,891
	1,325,258	90,498	91,115	-	-	1,506,871
Capital outlay	-	-	31,110	-	-	31,110
Long-term debt:						
Principal	-	-	-	235,000	-	235,000
Interest and fiscal charges	-	-	-	186,525	-	186,525
	-	-	-	421,525	-	421,525
Other expenditures:						
AEA flowthrough	205,885	-	-	-	-	205,885
Total expenditures	4,841,866	128,467	122,225	421,525	117,060	5,631,143
Excess (Deficiency) of revenues over (under) expenditures	18,961	260,272	576,925	(5,032)	2,051	853,177
Other financing sources (uses):						
Proceeds from the sale of equipment	11,511	-	-	-	-	11,511
Transfer in	-	-	-	275,940	-	275,940
Transfer out	-	-	(275,940)	-	-	(275,940)
Total other financing sources (uses)	11,511	-	(275,940)	275,940	-	11,511
Net change in fund balances	30,472	260,272	300,985	270,908	2,051	864,688
Fund balances beginning of year	1,226,606	362,436	617,292	370,464	34,063	2,610,861
Fund balances end of year	\$ 1,257,078	622,708	918,277	641,372	36,114	3,475,549

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, 2016

Net change in fund balances - total governmental funds (page 22)	\$	864,688
 <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. Capital outlay, depreciation expense, and loss on disposal for the year are as follows:		
Capital outlay	\$ 37,168	
Depreciation expense	(329,789)	
Loss on disposal	<u>(13,242)</u>	(305,863)
 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.		
		235,000
 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.		
		619
 Income surtax account receivable is not available to finance expenditures of the current year in the governmental funds.		
		(15,616)
 The current year District 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.		
		251,358
 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	(37,670)	
Pension expense	(164,266)	
Other postemployment benefits	<u>(21,556)</u>	<u>(223,492)</u>
 Change in net position of governmental activities (page 19)	 \$	 <u><u>806,694</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	School Nutrition	Building Trades Class	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 98,739	37,639	136,378
Inventories	3,269	-	3,269
Total current assets	<u>102,008</u>	<u>37,639</u>	<u>139,647</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	13,695	-	13,695
TOTAL ASSETS	<u>115,703</u>	<u>37,639</u>	<u>153,342</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	10,261	-	10,261
LIABILITIES			
Current liabilities			
Unearned revenue	2,651	-	2,651
Noncurrent liabilities:			
Net pension liability	52,952	-	52,952
TOTAL LIABILITIES	<u>55,603</u>	<u>-</u>	<u>55,603</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	3,766	-	3,766
NET POSITION			
Net investment in capital assets	13,695	-	13,695
Unrestricted	52,900	37,639	90,539
TOTAL NET POSITION	<u>\$ 66,595</u>	<u>37,639</u>	<u>104,234</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, 2016

	School Nutrition	Building Trades Class	Total
OPERATING REVENUES:			
Local sources:			
Charges for service	\$ 114,898	-	114,898
Miscellaneous	2,080	-	2,080
TOTAL OPERATING REVENUES	116,978	-	116,978
OPERATING EXPENSES:			
Instruction:			
Other:			
Supplies	-	2,748	2,748
Support services:			
Administration:			
Services	300	-	300
Non-instructional programs:			
Food service operations:			
Salaries	84,752	-	84,752
Benefits	11,197	-	11,197
Services	2,224	-	2,224
Supplies	138,374	-	138,374
Other	264	-	264
Depreciation	1,837	-	1,837
Total non-instructional programs	238,648	-	238,648
TOTAL OPERATING EXPENSES	238,948	2,748	241,696
OPERATING LOSS	(121,970)	(2,748)	(124,718)
NON-OPERATING REVENUES:			
State sources	1,977	-	1,977
Federal sources	124,889	-	124,889
Interest income	37	-	37
TOTAL NON-OPERATING REVENUES	126,903	-	126,903
Changes in net position	4,933	(2,748)	2,185
Net position beginning of year	61,662	40,387	102,049
Net position end of year	\$ 66,595	37,639	104,234

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	School Nutrition	Building Trades Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 115,111	-	115,111
Cash received from miscellaneous	2,080	-	2,080
Cash payments to employees for services	(98,502)	-	(98,502)
Cash payments to suppliers for goods or services	(123,934)	(2,748)	(126,682)
Net cash used in operating activities	(105,245)	(2,748)	(107,993)
Cash flows from non-capital financing activities:			
State grants received	1,977	-	1,977
Federal grants received	110,364	-	110,364
Net cash provided by non-capital financing activities	112,341	-	112,341
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,516)	-	(2,516)
Cash flows from investing activities:			
Interest on investments	37	-	37
Net increase(decrease) in cash and pooled investments	4,617	(2,748)	1,869
Cash and pooled investments beginning of year	94,122	40,387	134,509
Cash and pooled investments end of year	\$ 98,739	37,639	136,378
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (121,970)	(2,748)	(124,718)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	14,525	-	14,525
Depreciation	1,837	-	1,837
Decrease in inventories	2,703	-	2,703
Increase in net pension liability	11,406	-	11,406
Increase in deferred outflows of resources	(828)	-	(828)
Decrease in deferred inflows of resources	(13,131)	-	(13,131)
Increase in unearned revenue	213	-	213
Net cash used in operating activities	\$ (105,245)	(2,748)	(107,993)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received Federal Commodities valued at \$14,525.

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 10,602</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u><u>\$ 10,602</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 103
Donations	1,102
TOTAL ADDITIONS	<u>1,205</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	<u>875</u>
Change in net position	330
Net position beginning of year	<u>10,272</u>
Net position end of year	<u>\$ 10,602</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, or lien date, which is the date 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 in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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 year(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 liability.

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 a future year(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 year or expected to be collected 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 year 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, 2016, expenditures exceeded the amounts budgeted in the support services functional area.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 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, 2016, the District had no such investments.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 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>\$ 275,940</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, 2016 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
Total capital assets not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	13,272,660	-	-	13,272,660
Land improvements	358,475	-	-	358,475
Machinery and equipment	2,353,480	37,168	145,201	2,245,447
Total capital assets being depreciated	<u>15,984,615</u>	<u>37,168</u>	<u>145,201</u>	<u>15,876,582</u>
Less accumulated depreciation for:				
Buildings	3,926,854	222,037	-	4,148,891
Land improvements	289,242	5,709	-	294,951
Machinery and equipment	1,979,127	102,043	131,959	1,949,211
Total accumulated depreciation	<u>6,195,223</u>	<u>329,789</u>	<u>131,959</u>	<u>6,393,053</u>
Total capital assets being depreciated, net	<u>9,789,392</u>	<u>(292,621)</u>	<u>13,242</u>	<u>9,483,529</u>
Governmental activities capital assets, net	<u>\$ 9,799,392</u>	<u>(292,621)</u>	<u>13,242</u>	<u>9,493,529</u>
Business type activities:				
Machinery and equipment	\$ 110,704	2,516	-	113,220
Less accumulated depreciation	97,688	1,837	-	99,525
Business type activities capital assets, net	<u>\$ 13,016</u>	<u>679</u>	<u>-</u>	<u>13,695</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,512
Other		11,159
Support services:		
Administration		39,465
Operation and maintenance of plant		4,302
Transportation		43,605
		<u>102,043</u>
Unallocated depreciation		<u>227,746</u>
Total governmental activities depreciation expense		<u>\$ 329,789</u>
Business type activities:		
Food service operations		<u>\$ 1,837</u>

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,370,000	-	80,000	1,290,000	85,000
Revenue bonds	2,925,000	-	155,000	2,770,000	160,000
Termination benefits	70,650	64,700	27,030	108,320	68,238
Net pension liability	1,600,583	393,052	-	1,993,635	-
Net OPEB liability	111,640	21,556	-	133,196	-
Total	<u>\$ 6,077,873</u>	<u>479,308</u>	<u>262,030</u>	<u>6,295,151</u>	<u>313,238</u>
Business type activities:					
Net pension liability	\$ 41,546	11,406	-	52,952	-

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated July 1, 2010			
	Interest Rates	Principal	Interest	Total
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
2021	4.00	190,000	90,833	280,833
2022-2026	4.10-4.40	1,100,000	327,977	1,427,977
2027-2029	4.50-4.60	795,000	74,004	869,004
Total		<u>\$ 2,770,000</u>	<u>919,404</u>	<u>3,689,404</u>

The District has pledged future statewide sales, services and use 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 \$3,689,404. For the current year, \$155,000 in principal and \$120,462 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$441,062.

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, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated July 1, 2010				
	Interest Rates		Principal	Interest	Total
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	3.75		95,000	50,767	145,767
2022-2026	3.90-4.30		550,000	193,975	743,975
2027-2030	4.40-4.70		290,000	45,320	335,320
Total			\$ 1,290,000	523,981	1,813,981

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2016. 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, 2016. The application was subject to approval by the Board of Education.

The early retirement benefit for each eligible employee was equal to \$60,000 placed in a Health Reimbursement Account to cover individual insurance costs until the \$60,000 is exhausted. Each retiree also received \$50 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 2016 and a total liability of \$64,700.

At June 30, 2016, the District has obligations to three participants with a total liability of \$108,320 payable from the General Fund and Management Levy Fund. Actual early retirement expenditures for the year totaled \$27,030. 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. Prior Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of an additional debt service levy in an irrevocable trust to provide for future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2016, \$250,000 of bonds outstanding from the July 1, 2010 issue are considered defeased.

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 50 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, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 43,528
Interest on net OPEB obligation	2,791
Adjustment to annual required contribution	(12,489)
Annual OPEB cost	<u>33,830</u>
Contributions made	<u>(12,274)</u>
Increase in net OPEB obligation	21,556
Net OPEB obligation beginning of year	<u>111,640</u>
Net OPEB obligation end of year	<u><u>\$ 133,196</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

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
2014	\$ 23,255	30.39%	\$ 94,167
2015	21,482	18.66	111,640
2016	33,830	36.28	133,196

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$208,474 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$208,474. The covered payroll (annual payroll of active employees covered by the plan) was \$2,961,002 and the ratio of the UAAL to covered payroll was 7.04%. As of June 30, 2016, 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, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include 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.

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, except members with service before June 30, 2012 will use 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% 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% 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$258,679.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$2,046,587 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.041425%, which was an increase of 0.000019% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$169,034. At June 30, 2016, 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	\$ 30,921	\$ -
Changes of assumptions	56,348	-
Net difference between projected and actual earnings on IPERS' investments	-	170,330
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	26,250	31,891
District contributions subsequent to the measurement date	258,679	-
Total	<u>\$ 372,198</u>	<u>\$ 202,221</u>

\$258,679 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, 2017. 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,	Amount
2017	\$ (60,444)
2018	(60,444)
2019	(60,444)
2020	89,988
2021	2,642
Total	<u>\$ (88,702)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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, IPERS' 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 IPERS' 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%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) 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	\$ 3,583,206	\$ 2,046,587	\$ 749,571

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$29,919 for legally required District contributions and \$19,935 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 9. Deficit Accounts

At June 30, 2016, the District had three accounts in the Special Revenue, Student Activity Fund with a combined deficit unassigned balance of \$6,123.

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 \$205,885 for the year ended June 30, 2016 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, 2016 were \$370,465.

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 fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Limited english proficient	\$ 3,475
Home school assistance program	3,087
Weighted at-risk programs	39,432
Gifted and talented programs	55,520
Returning dropouts and dropout prevention programs	4,884
Beginning teacher mentoring and induction program	13,501
Teacher salary supplement	24,689
Market factor	3,667
Four-year-old preschool	8,439
Professional development	5,553
Math and science education improvement	240
Professional development for model core curriculum	4,405
Total	<u>\$ 166,892</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>
<u>June 30,</u>	
2017	\$ 3,394
2018	566
	<u>\$ 3,959</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	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	641,372	622,708	1,090,186
Capital assets, net of accumulated depreciation	9,493,529	-	-	-
General obligation bond capitalized indebtedness	(1,290,000)	-	-	-
Revenue bond capitalized indebtedness	(2,770,000)	-	-	-
Accrued interest payable	-	(14,809)	-	-
Termination benefits	-	-	(64,700)	(43,620)
Income surtax receivable	-	-	-	203,568
Net OPEB liability	-	-	-	(133,196)
Net pension liability	-	-	-	(1,993,635)
Pension related deferred outflows of resources	-	-	-	361,937
Pension related deferred inflows of resources	-	-	-	(198,455)
Unassigned for student activities	-	-	-	(6,123)
Net position (Exhibit A)	\$ 5,433,529	626,563	558,008	(719,338)

Note 15. 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, 2016, expenditures exceeded the amounts budgeted in the support services 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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,086,050	117,015	3,203,065	3,549,608	3,549,608	(346,543)
State sources	3,241,409	1,977	3,243,386	2,850,678	2,850,678	392,708
Federal sources	156,861	124,889	281,750	305,625	305,625	(23,875)
Total revenues	6,484,320	243,881	6,728,201	6,705,911	6,705,911	22,290
Expenditures/expenses:						
Instruction	3,465,752	2,748	3,468,500	3,846,291	3,846,291	377,791
Support services	1,506,871	300	1,507,171	1,507,000	1,507,000	(171)
Non-instructional programs	-	238,648	238,648	250,000	250,000	11,352
Other expenditures	658,520	-	658,520	1,317,620	1,317,620	659,100
Total expenditures/expenses	5,631,143	241,696	5,872,839	6,920,911	6,920,911	1,048,072
Excess(Deficiency) of revenues over(under) expenditures/expenses	853,177	2,185	855,362	(215,000)	(215,000)	1,070,362
Other financing sources, net	11,511	-	11,511	-	-	11,511
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	864,688	2,185	866,873	(215,000)	(215,000)	1,081,873
Balances beginning of year	2,610,861	102,049	2,712,910	2,222,443	2,222,443	490,467
Balances end of year	\$ 3,475,549	104,234	3,579,783	2,007,443	2,007,443	1,572,340

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

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, 2016, expenditures in the support services 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%
2016	July 1, 2015	-	208,474	208,474	0.0%	2,961,002	7.04%

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
 FOR THE LAST TWO YEARS*
 REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015
District's proportion of the net pension liability	0.041425%	0.041406%
District's proportionate share of the net pension liability	\$ 2,046,587	1,642,129
District's covered-employee payroll	\$ 2,837,975	2,707,536
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.65%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 258,679	253,431	241,783	228,797	206,843	190,121	180,829	173,769	154,277	124,058
Contributions in relation to the statutorily required contribution	(258,679)	(253,431)	(241,783)	(228,797)	(206,843)	(190,121)	(180,829)	(173,769)	(154,277)	(124,058)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,896,741	2,837,975	2,707,536	2,638,950	2,563,110	2,735,554	2,719,233	2,736,520	2,550,033	2,157,530
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Dunkerton Community School District

Supplementary Information

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 539,943	303,891	843,834
Receivables:			
Property tax:			
Delinquent	-	3,318	3,318
Succeeding year	-	274,552	274,552
Due from other governments	72,388	-	72,388
TOTAL ASSETS	\$ 612,331	581,761	1,194,092
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Accounts payable	\$ -	1,263	1,263
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	274,552	274,552
Fund balances:			
Restricted for:			
School infrastructure	612,331	-	612,331
Physical plant and equipment	-	305,946	305,946
Total fund balances	612,331	305,946	918,277
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 612,331	581,761	1,194,092

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	253,844	253,844
State sources	441,062	4,244	445,306
Total revenues	<u>441,062</u>	<u>258,088</u>	<u>699,150</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	9,731	19,272	29,003
Administration	-	8,798	8,798
Operation and maintenance of plant	-	53,314	53,314
Capital outlay	7,680	23,430	31,110
Total expenditures	<u>17,411</u>	<u>104,814</u>	<u>122,225</u>
Excess of revenues over expenditures	423,651	153,274	576,925
Other financing uses:			
Transfer out	<u>(275,940)</u>	-	<u>(275,940)</u>
Change in fund balances	147,711	153,274	300,985
Fund balances beginning of year	<u>464,620</u>	<u>152,672</u>	<u>617,292</u>
Fund balances end of year	<u>\$ 612,331</u>	<u>305,946</u>	<u>918,277</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DUNKERTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest	\$ 595	48	96	-	547
Dramatics & Speech	675	21	696	-	-
Cheerleaders	1,216	4,795	4,050	-	1,961
Athletics	(4,869)	52,082	52,973	-	(5,760)
Music	-	15	100	50	(35)
Class of 2016	979	382	1,230	-	131
Class of 2017	888	2,311	2,299	-	900
Class of 2018	432	43	-	-	475
Class of 2019	-	57	-	-	57
Class of 2020	-	25	-	-	25
Yearbook	2,800	4,148	7,276	-	(328)
Lego League	-	182	181	-	1
Student Leadership Committee	1,284	4,424	4,470	-	1,238
Resale Supplies	171	-	171	-	-
Summer Recreation	3,212	8,103	6,195	-	5,120
Student Senate	2,209	493	1,476	-	1,226
Pop Fund	2,221	6,969	8,329	-	861
Honor Society	320	1,671	1,124	-	867
Athletic Resale	255	-	255	-	-
Drama	998	759	75	-	1,682
Vocal	2,300	1,006	1,911	-	1,395
Band	1,426	1,517	1,784	(50)	1,109
Girl's Track	2,673	1,226	-	-	3,899
Boys Track	929	4,603	2,387	-	3,145
Cross Country	3	-	-	-	3
Golf	36	-	-	-	36
Boys Basketball	3,175	5,455	2,139	-	6,491
Football	4,265	5,645	6,228	-	3,682
Baseball	837	825	1,378	-	284
Girl's Basketball	1,497	10,408	7,996	-	3,909
Volleyball	2,872	1,308	1,972	-	2,208
Softball	395	590	-	-	985
Total	<u>\$ 34,063</u>	<u>119,111</u>	<u>117,060</u>	<u>-</u>	<u>36,114</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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 2,529,066	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
Tuition	339,845	268,917	186,615	200,942	183,728	234,584	213,480	180,807	201,595	239,939
Other	217,139	191,504	269,314	206,219	285,258	264,174	207,735	225,187	264,417	296,698
State sources	3,241,409	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
Federal sources	156,861	183,240	206,703	226,391	291,309	295,062	509,846	231,019	154,596	171,291
Total	\$ 6,484,320	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
Expenditures:										
Instruction:										
Regular	\$ 2,134,010	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
Special	656,880	618,727	574,823	583,408	657,536	525,265	673,534	623,383	448,878	291,846
Other	674,862	534,402	679,661	688,514	624,957	627,557	534,244	482,748	492,983	530,123
Support services:										
Student	91,668	104,643	88,531	85,280	79,877	76,994	97,849	133,320	109,809	85,424
Instructional staff	218,369	181,953	145,599	164,041	145,618	184,380	139,512	130,833	125,191	153,019
Administration	525,175	514,487	493,963	495,516	495,954	483,889	523,291	502,298	495,673	484,621
Operation and maintenance										
of plant	495,768	452,067	419,399	727,155	420,371	396,763	412,631	435,919	482,796	442,855
Transportation	175,891	156,790	285,268	326,035	223,665	269,619	187,550	223,431	197,528	182,233
Capital outlay	31,110	87,992	246,773	706,291	1,865,111	3,922,744	76,705	18,180	4,453	40,749
Long-term debt:										
Principal	235,000	480,000	225,000	220,000	215,000	225,000	-	325,000	1,090,000	335,000
Interest	186,525	195,211	200,081	204,885	211,695	199,557	-	8,968	51,575	69,614
Other expenditures:										
AEA flow-through	205,885	205,684	205,054	198,213	204,848	223,667	205,342	171,089	169,206	162,278
Refund of prior year tax	-	-	-	-	-	-	-	187,641	-	-
Total	\$ 5,631,143	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

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 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, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2017.

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 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-16 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-16 and I-C-16 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, 2016 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.

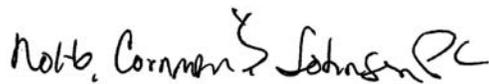
Dunkerton Community School District's Responses to Findings

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.

February 16, 2017
Newton, Iowa

DUNKERTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-16 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) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting.
- 6) Transfers - preparing and approving.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) 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 Dunkerton Community School District now participates in a Human Resources Operational Sharing Program with Tripoli CSD and Wapsie Valley CSD. This new individual works in Dunkerton two days/week and shares financial/payroll responsibilities in the Central Office. The District continues to review responsibilities and train other office staff with financial duties as needed.

Conclusion - Response accepted.

I-B-16 Grant Coding - We noted the District's Title I grant was not set up in the District's accounting software to expense properly during the year. The District then made subsequent journal entries to reclassify expenses to this 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 - Central Office and Administrators have been reviewing Title I assignment, as well as all categorical and grant application guidelines and assigned appropriate coding unless otherwise directed by the Department of Education personnel. We have been working with/training new HR personnel and all office staff on importance of correct coding process and understanding guidelines set by Federal & State Offices.

Conclusion - Response accepted.

I-C-16 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 - The Activity Fund interest cash revenues have been distributed to appropriate Activity accounts for 2015-16 school year. District will monitor receipts and allocate monies to appropriate accounts annually.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget - Expenditures for the year ended June 30, 2016 exceeded the certified budget amounts in the support services 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 - Central Office will follow district expenditures more closely in relation to the approved Budget for that fiscal year. Administrators and Central Office will make necessary adjustments to expenditures when preparing Instructional Support Budget for following year.

Conclusion - Response accepted.

II-B-16 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-16 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-16 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- II-H-16 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Iowa Department of Education.
- II-I-16 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-16 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-16 Categorical Funding - No instances we noted of categorical funding used to supplant rather than supplement other programs.
- II-L-16 Financial Condition - At June 30, 2016, the District had three deficit accounts in the Special Revenue, Student Activity Fund totaling \$6,123 at June 30, 2016.

Recommendation - The District should continue to monitor this account and investigate alternatives to eliminate the deficits. The District should consider additional approval of bills from the Student Activity Fund. A workout plan for the deficit accounts should also be considered.

Response - District has established additional Activity Account fundraising avenues and limited unnecessary expenditures. District has implemented an electronic requisition approval system that monitors individual Activity account budgets more closely. Currently, all Activity accounts hold positive balances.

Conclusion - Response accepted.

- II-M-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	464,620
Revenues:			
Sales tax revenues			<u>441,062</u>
			905,682
Expenditures/transfers out:			
School infrastructure construction	325		
Equipment	11,028		
Other	6,058		
Transfers to other funds:			
Debt service fund	<u>275,940</u>		<u>293,351</u>
		\$	<u><u>612,331</u></u>

For the year ended June 30, 2016 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.