

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

JUNE 30, 2015

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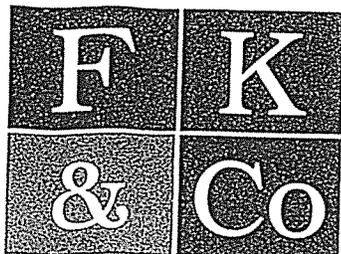
City of Centerville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jan Spurgeon	Mayor	January, 2016
Richard Smith *	Council Member	January, 2016
Jay Dillard	Council Member	January, 2016
Rob Lind	Council Member	January, 2016
Darrin Hamilton	Council Member	January, 2018
Ron Creagan	Council Member	January, 2018
Patrick Antonen	City Administrator/City Clerk	Indefinite
Mike Craver	Attorney	Indefinite

* - Passed away June, 2015. Position vacant at June 30, 2015.

City of Centerville



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City'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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 City'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 City'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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. The basis of cash receipts and disbursements require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the receipts, disbursements and the cash basis balances of the government-wide financial statement for the omitted discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2015, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 6 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the seven years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 basic 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.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 37 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2016, on our consideration of the City's internal control over financial reporting and on 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 the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
March 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- ❖ Receipts of the City's governmental activities increased 65.6%, or approximately \$3,602,000, from fiscal year 2014 to fiscal year 2015. Note proceeds increased approximately \$3,356,000. Operating grants, contributions and restricted interest decreased approximately \$175,000, property tax increased approximately \$259,000, other city tax increased approximately \$309,000, and tax increment financing receipts decreased approximately \$197,000.
- ❖ Disbursements of the City's governmental activities increased 5.7%, or approximately \$301,000, in fiscal year 2015 from fiscal year 2014. General government disbursements decreased \$89,000. Public safety, debt service, public works, capital projects and culture and recreation disbursements increased approximately \$239,000, \$326,000, \$118,000, \$92,000 and \$167,000, respectively.
- ❖ The City's total cash basis net assets increased 47.5%, or approximately \$3,163,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$3,187,000 and the cash basis net position of the business type activities decreased approximately \$25,000.

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 City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds, the non-major enterprise funds and the non-major internal service funds, as well as the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of the various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system, storm sewer, and the airport. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

(2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the Sewer Fund, considered to be a major fund of the City. The City also maintains a Storm Sewer Fund and an Airport Fund to provide separate information for these business activities, considered to be non-major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

(3) Fiduciary funds account for resources held for others. The Fiduciary fund consists of the Water Department Clearing Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$3.747 million to approximately \$6.934 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 273	\$ 234
Operating grants, contributions and restricted interest	727	902
Capital grants, contributions and restricted interest	401	504
General receipts:		
Property tax	2,304	2,045
Tax increment financing	3	200
Other city tax	309	-
Local option sales tax	560	492
Grants and contributions not restricted to specific purposes	48	48
Hotel-Motel tax	78	70
Note proceeds	4,332	976
Unrestricted interest on investments	17	17
Sale of assets	10	-
Miscellaneous	28	-
Total receipts	<u>9,090</u>	<u>5,488</u>
Disbursements:		
Public safety	1,944	1,738
Public works	808	690
Culture and recreation	634	467
Community and economic development	494	45
General government	283	372
Debt service	712	386
Capital projects	732	640
Payment to refunding bond escrow agent	-	968
Total disbursements	<u>5,607</u>	<u>5,306</u>
Change in cash basis net position before transfers	3,483	182
Transfers, net	<u>(296)</u>	10
Change in cash basis net position	3,187	192
Cash basis net position beginning of year	<u>3,747</u>	<u>3,555</u>
Cash basis net position end of year	<u>\$ 6,934</u>	<u>3,747</u>

The City's total receipts for governmental activities increased 65.6%, or approximately \$3,602,000, from fiscal year 2014 to fiscal year 2015. The total cost of all programs and services increased approximately \$301,000, or 5.7%, with no new programs added this year.

The City increased property tax receipts for fiscal year 2015 an average of 12.6%. This increased the City's property tax receipts approximately \$259,000 in fiscal year 2015.

The cost of all governmental activities this year was approximately \$5.607 million compared to approximately \$5.306 million last year. However, as shown in the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was approximately \$4.206 million because some of the cost was paid by those directly benefited from the programs (approximately \$273,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,128,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$1,640,000 to approximately \$1,401,000, principally due to the receipt of less grant money.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,312	\$ 1,353
Storm sewer	84	83
Airport	143	148
General receipts:		
Unrestricted interest on investments	3	1
Other general receipts	4	4
Bond proceeds (net of discount)	-	257
Total receipts	<u>1,546</u>	<u>1,846</u>
Disbursements:		
Sewer	1,774	2,028
Storm sewer	1	-
Airport	92	112
Total disbursements	<u>1,867</u>	<u>2,140</u>
Change in cash basis net position before transfers	(321)	(294)
Transfers, net	<u>296</u>	<u>(10)</u>
Change in cash basis net position	(25)	(304)
Cash basis net position beginning of year	<u>2,916</u>	<u>3,220</u>
Cash basis net position end of year	<u>\$ 2,891</u>	<u>2,916</u>

Total business type activities receipts for the fiscal year were approximately \$1.546 million compared to approximately \$1.846 million last year. The cash balance decreased approximately \$25,000 from the prior year. Total disbursements for the fiscal year decreased 12.76% to approximately \$1.867 million, primarily due to decreased sewer repair and construction projects in fiscal year 2015.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$6,957,722, an increase of \$3,271,214 from last year's total of \$3,686,508. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance decreased \$39,131 from the prior year to \$280,550. This decrease is primarily due to the City spending more money from the General Fund than what it receives in the General Fund.
- ❖ The Special Revenue, Road Use Tax Fund cash balance decreased by \$71,015 to \$389,433 as of June 30, 2015. An increase in materials and equipment purchased decreased the cash balance in this fund. The City intends to use this money to upgrade the condition of the City's streets.
- ❖ The Special Revenue, Local Option Sales Tax Fund cash balance decreased by \$58,769 to \$2,111,901 as of June 30, 2015. This fund is accumulated resources for a pool and park projects which have begun in fiscal year 2015. This fund also is accumulating funding for a fire truck which will be purchased within the next decade.
- ❖ The Special Revenue, Employee Benefits Fund cash balance increased by \$37,368 to \$75,494 as of June 30, 2015. This fund is no longer negative as it was in previous years.
- ❖ The Debt Service Fund cash balance increased by \$40,494 to \$262,242 at June 30, 2015. The City is planning to gradually reduce the balance in this fund in the future.
- ❖ The Capital Projects, Street Construction Fund cash balance increased by \$3,597,429 to \$3,502,379 at June 30, 2015. The increase in cash in this fund was due to the issuance of capital loan notes in fiscal year 2015. This fund is paying for our major street construction project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Enterprise, Sewer Fund cash balance decreased by \$105,141 to \$2,615,534 as of June 30, 2015, due primarily to an increase cost related to sewer lining projects. This rest of this balance will be used to fund major sewer upgrades in the future.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The budget amendment was approved on May 18, 2015. The budget amendment increased receipts and other financing sources by \$4,982,821 and disbursements by \$2,737,275. The increase in disbursements was to provide for additional disbursements in certain City departments.

Even with the budget amendments, actual disbursements for the culture and recreation, community and economic development and capital project functions were \$307,041, \$79,189, and \$269,114, respectively, more than the amended budget. City personnel will do a better job estimating for the budget amendments in future years.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$5,924,000 in bonds and other long-term debt outstanding, compared to \$2,305,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2015	2014
General obligation notes	\$ 4,865	\$ 1,170
Revenue note	1,025	1,084
Lease-purchase agreement	34	51
Total	<u>\$ 5,924</u>	<u>2,305</u>

Debt increased primarily as a result of the issuance of \$4.315 million in capital loan notes in fiscal year 2015.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,865,000 is significantly below its constitutional debt limit of \$9,674,206.

More detailed information about the City's long-term debt is presented in Notes 3 and 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2016. General fund receipts are budgeted to increase by \$32,192. Disbursements are budgeted to decrease by \$6,712. The City's future plans are to undertake several large street projects in the coming years; expenses are likely to occur in fiscal year 2016. An increase in taxable valuation will be realized in the near future due the former National Guard Armory being sold to a manufacturing company and put onto the tax rolls. An increase in revenue will be seen with the addition of a franchise fee during fiscal year 2015, with fiscal year 2016 the first full fiscal year for the franchise fee.

The City has taken significant steps to enhance the appearance and function of the City through street, storm water, sanitary sewer and other major infrastructure initiatives. These and future improvements, while necessary, require the City to identify additional sources of funding other than cash reserves and general obligation debt to maintain consistency of future tax levies. Like nearly all other municipalities the rising cost of employee benefits has created a significant burden for the City. The City's required participation in the Municipal Fire and Police Retirement System (MFPRSI) continues to put significant financial burden on the City which is unlikely to change without major state legislative action.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patrick Antonen, City Administrator, 312 East Maple, P.O. Box 578, Centerville, Iowa 52544.

Basic Financial Statements

City of Centerville

Exhibit A

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 1,944,281	229,603	91,064	173,126	(1,450,488)	-	(1,450,488)
Public works	808,224	501	576,998	675	(230,050)	-	(230,050)
Culture and recreation	633,460	28,378	46,525	758	(557,799)	-	(557,799)
Community and economic development	493,875	-	876	220,647	(272,352)	-	(272,352)
General government	283,271	14,457	9,371	-	(259,443)	-	(259,443)
Debt service	711,751	-	-	-	(711,751)	-	(711,751)
Capital projects	732,246	50	2,211	5,854	(724,131)	-	(724,131)
Total governmental activities	5,607,108	272,989	727,045	401,060	(4,206,014)	-	(4,206,014)
Business type activities:							
Sewer	1,774,585	1,312,246	-	-	-	(462,339)	(462,339)
Storm sewer	1,587	84,223	-	-	-	82,636	82,636
Airport	91,625	143,237	-	-	-	51,612	51,612
Total business type activities	1,867,797	1,539,706	-	-	-	(328,091)	(328,091)
Total	\$ 7,474,905	1,812,695	727,045	401,060	(4,206,014)	(328,091)	(4,534,105)
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					1,866,553	-	1,866,553
Debt service					437,708	-	437,708
Tax increment financing					2,887	-	2,887
Other city tax					309,469	-	309,469
Local option sales tax					560,315	-	560,315
Grants and contributions not restricted to specific purposes					48,486	-	48,486
Hotel-Motel tax					77,733	-	77,733
Proceeds of capital loan notes, net of \$16,639 premium					4,331,639	-	4,331,639
Unrestricted interest on investments					16,974	3,363	20,337
Sale of capital assets					10,189	-	10,189
Miscellaneous					27,780	3,901	31,681
Transfers					(295,881)	295,881	-
Total general receipts and transfers					7,393,852	303,145	7,696,997
Change in cash basis net position					3,187,838	(24,946)	3,162,892
Cash basis net position beginning of year					3,746,623	2,916,388	6,663,011
Cash basis net position end of year					\$ 6,934,461	2,891,442	9,825,903
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 174,466	-	174,466
Expendable:							
Streets					389,433	-	389,433
Urban renewal purposes					234,927	-	234,927
Local option sales tax					2,111,901	-	2,111,901
Debt service					262,242	8,210	270,452
Capital projects					3,525,125	-	3,525,125
Other purposes					133,243	-	133,243
Unrestricted					103,124	2,883,232	2,986,356
Total cash basis net position					\$ 6,934,461	2,891,442	9,825,903

See notes to financial statements.

City of Centerville

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue				Capital Projects			Total
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Debt Service	Street Construction	Nonmajor	
Receipts:								
Property tax	\$ 1,141,230	-	-	725,430	437,708	-	-	2,304,368
Tax increment financing	-	-	-	-	-	-	2,887	2,887
Other city tax	390,988	-	560,315	-	-	-	-	951,303
Licenses and permits	24,403	-	-	-	-	-	-	24,403
Use of money and property	9,615	-	4,978	-	756	5,854	951	22,154
Intergovernmental	484,717	574,815	18,500	8,171	10,133	-	-	1,096,336
Charges for service	147,931	-	-	-	-	-	-	147,931
Miscellaneous	142,714	-	-	41,218	-	-	-	199,610
Total receipts	2,341,598	574,815	583,793	774,819	448,597	5,854	19,516	4,748,992
Disbursements:								
Operating:								
Public safety	1,294,500	-	16,642	576,131	-	-	1,417	1,888,690
Public works	36,404	638,332	-	110,659	-	-	-	785,395
Culture and recreation	523,678	-	100,344	677	-	-	5,783	630,482
Community and economic development	461,334	-	27,855	-	-	-	4,686	493,875
General government	251,831	-	-	29,455	-	-	-	281,286
Debt service	-	-	-	-	711,751	-	-	711,751
Capital projects	-	-	-	-	-	590,064	142,182	732,246
Total disbursements	2,567,747	638,332	144,841	716,922	711,751	590,064	154,068	5,523,725
Excess (deficiency) of receipts over (under) disbursements	(226,149)	(63,517)	438,952	57,897	(263,154)	(584,210)	(134,552)	(774,733)
Other financing sources (uses):								
Proceeds of capital loan notes, net of \$16,639 premium	150,000	-	-	-	-	4,181,639	-	4,331,639
Sale of capital assets	10,189	-	-	-	-	-	-	10,189
Transfers in	26,829	159,333	-	6,300	303,648	-	34,700	530,810
Transfers out	-	(166,831)	(497,721)	(26,829)	-	-	(135,310)	(826,691)
Total other financing sources (uses)	187,018	(7,498)	(497,721)	(20,529)	303,648	4,181,639	(100,610)	4,045,947
Change in cash balances	(39,131)	(71,015)	(58,769)	37,368	40,494	3,597,429	(235,162)	3,271,214
Cash balances beginning of year	319,681	460,448	2,170,670	38,126	221,748	(95,050)	570,885	3,686,508
Cash balances end of year	\$ 280,550	389,433	2,111,901	75,494	262,242	3,502,379	335,723	6,957,722
Cash Basis Fund Balances								
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	174,466	174,466
Restricted for:								
Streets	-	389,433	-	-	-	-	-	389,433
Urban renewal purposes	-	-	-	-	-	-	234,927	234,927
Local option sales tax	-	-	2,111,901	-	-	-	-	2,111,901
Debt service	-	-	-	-	262,242	-	-	262,242
Capital projects	-	-	-	-	-	3,502,379	22,746	3,525,125
Other purposes	12,322	-	-	75,494	-	-	45,427	133,243
Assigned	261,861	-	-	-	-	-	-	261,861
Unassigned	6,367	-	-	-	-	-	(141,843)	(135,476)
Total cash basis fund balances	\$ 280,550	389,433	2,111,901	75,494	262,242	3,502,379	335,723	6,957,722

See notes to financial statements.

City of Centerville

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 16) \$ 6,957,722

*Amounts reported for governmental activities in the Cash Basis Statement
of Activities and Net Position are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the cash balances of the Internal Service Funds are included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(23,261)

Cash basis net position of governmental activities (page 15) \$ 6,934,461

Change in cash balances (page 16) \$ 3,271,214

*Amounts reported for governmental activities in the Cash Basis Statement
of Activities and Net Position are different because:*

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the change in cash balances of the Internal Service Funds are reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(83,376)

Change in cash basis net position of governmental activities (page 15) \$ 3,187,838

See notes to financial statements.

City of Centerville

Exhibit D

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise			Internal
	Sewer	Nonmajor	Total	Service
Operating receipts:				
Use of money and property	\$ 3,363	43,300	46,663	-
Charges for service	1,312,246	184,160	1,496,406	505,979
Miscellaneous	-	-	-	159,081
Total operating receipts	<u>1,315,609</u>	<u>227,460</u>	<u>1,543,069</u>	<u>665,060</u>
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	280,091
Public works	-	-	-	115,244
Culture and recreation	-	-	-	15,587
General government	-	-	-	276,199
Business type activities	647,094	93,212	740,306	77,195
Total operating disbursements	<u>647,094</u>	<u>93,212</u>	<u>740,306</u>	<u>764,316</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>668,515</u>	<u>134,248</u>	<u>802,763</u>	<u>(99,256)</u>
Non-operating receipts (disbursements):				
Miscellaneous	1,074	2,827	3,901	-
Debt service	(80,690)	-	(80,690)	-
Capital projects	(1,030,921)	-	(1,030,921)	-
Net non-operating receipts (disbursements)	<u>(1,110,537)</u>	<u>2,827</u>	<u>(1,107,710)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(442,022)</u>	<u>137,075</u>	<u>(304,947)</u>	<u>(99,256)</u>
Other financing sources (uses):				
Transfers in	338,388	-	338,388	-
Transfers out	(1,507)	(41,000)	(42,507)	-
Total other financing sources (uses)	<u>336,881</u>	<u>(41,000)</u>	<u>295,881</u>	<u>-</u>
Change in cash balances	(105,141)	96,075	(9,066)	(99,256)
Cash balances beginning of year	<u>2,720,675</u>	<u>184,263</u>	<u>2,904,938</u>	<u>71,565</u>
Cash balances end of year	<u>\$ 2,615,534</u>	<u>280,338</u>	<u>2,895,872</u>	<u>(27,691)</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ 8,210	-	8,210	-
Unrestricted	<u>2,607,324</u>	<u>280,338</u>	<u>2,887,662</u>	<u>(27,691)</u>
Total cash basis fund balances	<u>\$ 2,615,534</u>	<u>280,338</u>	<u>2,895,872</u>	<u>(27,691)</u>

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 18) \$ 2,895,872

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the cash balances of the Internal Service Funds are included in business type activities in the Cash Basis Statement of Activities and Net Position.

(4,430)

Cash basis net position of business type activities (page 15) \$ 2,891,442

Change in cash balances (page 18) \$ (9,066)

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the change in the cash balances of the Internal Service Funds are reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(15,880)

Change in cash basis net position of business type activities (page 15) \$ (24,946)

See notes to financial statements.

City of Centerville

Exhibit F

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2015

	<u>Agency</u> <u>Water</u> <u>Department</u> <u>Clearing</u>
Additions:	
Reimbursement from Water Department	\$ 336,159
Total additions	<u>336,159</u>
Deductions:	
Payments made on behalf of Water Department	336,159
Total deductions	<u>336,159</u>
Change in cash balances	-
Cash balances beginning of year	<u>-</u>
Cash balances end of year	<u><u>\$ -</u></u>
See notes to financial statements.	

City of Centerville

Notes to Financial Statements

June 30, 2015

(1) **Summary of Significant Accounting Policies**

The City of Centerville (City) is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and storm sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationships with the City are significant.

Excluded Component Units

The Centerville Municipal Waterworks (Waterworks) was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific financial burdens on the City. The Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Waterworks administrative office.

The Friends of the Drake Public Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Drake Public Library meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Friends of the Drake Public Library are substantially for the direct benefit of the City of Centerville Public Library.

The Friends of Centerville Parks, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville park system. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of Centerville Parks, Inc. meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Friends of Centerville Parks, Inc. are substantially for the direct benefit of the City's park system.

The Centerville Volunteers Firefighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Centerville Volunteers Firefighters Association meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Centerville Volunteers Firefighters Association are substantially for the direct benefit of the City of Centerville Fire Department.

The Drake Public Library Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Centerville Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Drake Public Library Foundation meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Drake Public Library Foundation are substantially for the direct benefit of the City of Centerville Public Library.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, Appanoose County Joint E911 Service Board and the Rathbun Area Solid Waste Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from the business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances 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 cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and the fiduciary fund, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds, nonmajor enterprise funds and internal service funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and other receipts to be used for projects financed with these monies.

The Employee Benefits Fund is used to account for property tax receipts and other receipts to be used for the related payment of employee benefits.

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

The Capital Projects, Street Construction Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports a fiduciary fund which acts as a clearing account for payments made by the City on behalf of the Waterworks and the related reimbursements from the Waterworks.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City 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 City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes		Total
	Principal	Interest	
2016	\$ 490,000	106,623	596,623
2017	370,000	100,878	470,878
2018	385,000	95,300	480,300
2019	415,000	87,600	502,600
2020	425,000	79,300	504,300
2021	435,000	69,738	504,738
2022	445,000	59,950	504,950
2023	455,000	49,937	504,937
2024	470,000	38,562	508,562
2025	480,000	26,812	506,812
2026	495,000	13,612	508,612
	<u>\$4,865,000</u>	<u>728,312</u>	<u>5,593,312</u>

Sewer Revenue Capital Loan Notes

On March 8, 2013, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of sewer revenue capital loan notes of up to \$1,382,000 with interest of 1.75% per annum. The agreement also requires the City to annually pay .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewage treatment facilities. The City will draw down funds from the DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2015, the City had drawn down \$1,199,492 of the authorized amount, including an initiation fee of \$6,910 (.5% of the authorized borrowing for the sewer capital loan notes) charged by the Iowa Finance Authority which was withheld from the first proceeds of the capital loan notes. A final repayment schedule has not been adopted. However, the City paid principal of \$59,000 and interest of \$21,690 during fiscal year 2015 under a preliminary repayment schedule.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue capital loan notes. The percentage of net receipts required to pay annual principal and interest on the sewer capital loan notes and the total amount of principal and interest remaining to be paid on the sewer capital loan notes at June 30, 2015 are not available since the final repayment schedule has not been adopted for the sewer capital loan notes. For the current year, principal and interest paid and total customer net receipts were \$80,690 and \$668,515, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes issued under a loan agreement between the City, the Iowa Finance Authority and the Iowa Department of Natural Resources includes the following provisions:

- (a) The sewer revenue capital loan notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) User rates shall be established at a level which produces and maintains net revenues equal to at least 110% of the amount of principal and interest on the notes falling due in the same year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of installment principal due shall be made to a sewer note sinking account for the purpose of making the note principal and interest payments when due.

(4) **Lease Purchase Agreement**

On July 15, 2013, the City entered into a general obligation lease-purchase agreement to lease police department vehicles. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2015:

Year Ending June 30,	Amount
2016	\$ -
2017	17,834
2018	17,834
Total minimum lease payments	35,668
Less amount representing interest	(1,203)
Present value of net minimum lease payments	<u>\$ 34,465</u>

Payments under this lease-purchase agreement totaled \$17,834 during the year ended June 30, 2015.

(5) **Interfund Loan**

The General Fund loaned money to the Enterprise, Airport Fund. At June, 30, 2015, \$44,635 was due from the Enterprise, Airport Fund to the General Fund. The interest rate on this loan is 1.7%, with no set repayment terms.

(6) **Pension Plans**

Iowa Public Employees Retirement System

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City 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 informational purposes only. Refer to the plan documents for more information.

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

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

Protection occupation members may retire at normal retirement age, which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS' benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent

The City's contributions to IPERS for the year ended June 30, 2015 were \$97,508.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$626,938. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.15808 percent, which was an increase of 0.001415 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$47,487, \$34,668 and \$244,203 respectively.

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

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.

Long-term investment rate of return
(effective June 30, 1996)

7.50 percent per annum, compounded annually, net
of investment expense, including inflation.

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

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

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$1,194,539	626,938	147,835

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$178,334.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$873,276 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .240905% which was a decrease of .002561% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$72,483, \$64,544 and \$412,974 respectively.

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

Rate of Inflation	3.00 percent
Salary increases	4.50 to 15.11 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0 %	3.8 %
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
Core Investments	40.0 %	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	5.0	6.8
Real Estate	10.0	
Total	100 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$1,674,437	873,276	207,584

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

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

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and their families, former employees, and retirees and their spouses. There are 36 active, no retired members and 6 former employees in the plan. Retired participants must be age 55 or older at retirement. Former employees must have been employed by the City on a full-time basis for over twenty years to qualify for the benefits.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. However, for former employees that have been employed by the City on a full-time basis for over twenty years, the City will pay for 50% of the cost of the single health insurance premium to age 65.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$742.60 for single coverage and \$1,737.26 for family coverage. The same monthly premiums apply to retirees and former employees. For the year ended June 30, 2015, the City contributed \$505,979 and plan members eligible for benefits contributed \$126,498 to the plan.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Personal time	\$ 1,329
Compensatory time	37,253
Vacation	<u>95,580</u>
Total	<u>\$ 134,162</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$653 during the year ended June 30, 2015.

(10) Self-Insured Medical Plan

The City has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and City contributions, and is administered through a service agreement with TriStar Benefit Administrators.

The City escrows funds each month to be used to pay medical claims incurred. Except in two instances, the maximum exposure by the City for one individual in a twelve-month period is \$30,000. For two individuals, the maximum exposure by the City in a twelve-month period is \$80,000 and \$125,000, respectively. Claims in excess of these amounts are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000. The City records the plan receipts and disbursements in the Employee Health Fund as an Internal Service Fund. Monthly payments to the fund are recorded as disbursements from the operating funds.

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	<u>\$ 26,829</u>
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	<u>159,333</u>
Special Revenue: Employee Benefits	Enterprise: Airport	<u>6,300</u>
Debt Service	Special Revenue: Road Use Tax	166,831
	Urban Renewal Tax Increment	135,310
	Enterprise: Sewer	<u>1,507</u>
		<u>303,648</u>
Capital Projects: Airport Construction	Enterprise: Airport	<u>34,700</u>
Enterprise: Sewer	Special Revenue: Local Option Sales Tax	<u>338,388</u>
		<u>\$ 869,198</u>

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

(12) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$25,525.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee; and airport owners liability for various coverage limits. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Deficit Balances

The Capital Projects, Airport Construction Fund had a deficit balance of \$141,843 at June 30, 2015. This deficit balance was a result of project costs incurred prior to a receipt of a grant. This deficit will be eliminated from a transfer from the General Fund, and receipts from a grant.

The Internal Service, Employee Health Fund had a deficit balance of \$30,034 at June 30, 2015. This deficit balance was a result of claim costs in excess of available reserves in this fund. This deficit will be eliminated through subsequent increases in contributions from the various operating funds of the City.

(14) Contingencies

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. During the year ended June 30, 2009, the City paid the Centerville Community School District a total of \$50,000 as partial settlement of the payment in lieu of tax amount. The City is still working with the Centerville Community School District and Appanoose County in relation to this issue. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

The City Attorney reported that as of June 30, 2015, various claims and lawsuits were on file against the City, and estimated that the potential settlements against the City not covered by insurance would not materially affect the financial position of the City.

(15) Commitments

The City entered into various contracts for street construction. Approximately \$2,868,000 in construction costs remains to be paid on these projects. It is anticipated that these projects will be completed in fiscal year 2016. The City intends to pay for these projects from existing cash reserves and from a grant.

The City can borrow an additional \$182,508 in relation to its Sewer Revenue Capital Loan Notes.

Based on rates in affect as of June 30, 2015, the City is obligated to pay \$159,288 in total health insurance premiums for its former employees. Additional discussion about this program is documented in Note 7 above.

(16) Fund Balances

The City's restricted fund balance of \$12,322 in the General Fund as of June 30, 2015 consists of hotel/motel tax monies.

The City's assigned fund balance in the General Fund as of June 30, 2015 consists of the following:

Purpose	Amount
Fire Department	\$ 88,532
Cemetery Department	19,149
Crime Stoppers	1,415
Library	98,332
Pool	40,000
Parks	1,575
Storm Siren	12,858
Total	<u>\$ 261,861</u>

(17) Subsequent Events

In fiscal year 2016, the City entered into a pool renovation contract with a contractor for approximately \$2,866,000. Work on this project is expected to occur in fiscal year 2016 and 2017. The City intends to pay for this project from existing cash reserves.

In fiscal year 2016, the City began renting the old armory building for \$6,424 per month for 15 years. The renter has the option to purchase the building based on the terms in the contract between the City and the renter.

The City loaned \$150,000 to a private business for economic development purposes. Repayment terms are \$4,296 per month, with a balloon payment due on May 31, 2018 from the private business.

The City has evaluated subsequent events through March 22, 2016, which is the date that the financial statements were available to be issued.

Other Information

City of Centerville

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	(Unaudited)										Final to Total Variance	
	Centerville Municipal Waterworks											
	Governmental Funds		Proprietary Funds		Less Funds not Required to be Budgeted		Net		Total			Budgeted Amounts
Actual		Actual		Actual		Actual		Original	Final			
Receipts:												
Property tax	\$ 2,304,368	-	-	-	-	-	-	2,091,132	2,091,207		213,161	
Tax increment financing	2,887	-	-	-	-	-	-	-	-		2,887	
Other city tax	951,303	-	-	-	-	-	-	844,518	1,109,212		(157,909)	
Licenses and permits	24,403	-	-	-	-	-	-	53,928	80,000		(55,597)	
Use of money and property	22,154	46,663	-	-	-	15,425	-	17,000	21,636		62,606	
Intergovernmental	1,096,336	-	-	-	-	-	-	939,150	1,291,132		(194,796)	
Charges for service	147,931	2,002,385	505,979	2,525,599	1,367,253	1,158,346	-	3,018,460	3,018,460		(215,777)	
Miscellaneous	199,610	162,982	159,081	134,763	-	134,763	-	80,125	80,125		258,149	
Total receipts	4,748,992	2,212,030	665,060	2,675,787	1,367,253	1,308,534	7,604,496	7,044,313	7,691,772		(87,276)	
Disbursements:												
Public safety	1,888,690	280,091	280,091	-	-	-	-	1,731,950	1,900,136		11,446	
Public works	785,395	115,244	115,244	-	-	-	-	1,027,286	1,027,286		241,891	
Culture and recreation	630,482	15,587	15,587	-	-	-	-	245,441	323,441		(307,041)	
Community and economic development	493,875	-	-	-	-	-	-	27,200	414,686		(79,189)	
General government	281,286	276,199	276,199	-	-	-	-	364,058	436,058		154,772	
Debt service	711,751	-	-	-	-	-	-	442,637	442,637		(269,114)	
Capital projects	732,246	-	-	-	-	-	-	-	1,500,000		767,754	
Business type activities	-	1,929,112	77,195	2,676,481	1,367,253	1,309,228	3,161,145	3,665,708	4,197,311		1,036,166	
Total disbursements	5,523,725	2,616,233	764,316	2,676,481	1,367,253	1,309,228	8,684,870	7,504,280	10,241,555		1,556,685	
Excess (deficiency) of receipts over (under) disbursements	(774,733)	(404,203)	(99,256)	(694)	-	(694)	(1,080,374)	(459,967)	(2,549,783)		1,469,409	
Other financing sources, net	4,045,947	295,881	-	-	-	-	4,341,828	-	4,335,362		6,466	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,271,214	(108,322)	(99,256)	(694)	-	(694)	3,261,454	(459,967)	1,785,579		1,475,875	
Balances beginning of year	3,686,508	2,976,503	71,565	620,975	3,151	617,824	7,209,270	8,076,885	7,212,418		(3,148)	
Balances end of year	\$ 6,957,722	2,868,181	(27,691)	620,281	3,151	617,130	10,470,724	7,616,918	8,997,997		1,472,727	

See accompanying independent auditor's report.

City of Centerville

Notes to Other Information - Budgetary Reporting

June 30, 2015

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,737,275. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development and debt service functions.

City of Centerville

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	<u>2015</u>
City's proportion of the net pension liability	0.015808%
City's proportionate share of the net pension liability	\$ 627
City's covered employee payroll	\$ 1,054
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.49%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Municipal Fire and Police Retirement System of Iowa

	<u>2015</u>
City's proportion of the net pension liability	0.240905%
City's proportionate share of the net pension liability	\$ 873
City's covered employee payroll	\$ 615
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.95%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

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

See accompanying independent auditor's report.

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

City of Centerville

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 98	94	84	81	64	57	54	50	47	44
Contributions in relation to the statutorily required contribution	(98)	(94)	(84)	(81)	(64)	(57)	(54)	(50)	(47)	(44)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,090	1,054	961	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	8.99%	8.93%	8.74%	*	*	*	*	*	*	*

Municipal Fire and Police Retirement System of Iowa

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 178	185	159	165	126	94	97	144	146	146
Contributions in relation to the statutorily required contribution	(178)	(185)	(159)	(165)	(126)	(94)	(97)	(144)	(146)	(146)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 586	615	609	666	633	553	517	565	526	518
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%	19.90%	17.00%	18.75%	25.48%	27.75%	28.21%

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Centerville

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Iowa Public Employees' Retirement System

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

City of Centerville

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

Supplementary Information

City of Centerville

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue										Total
	Special Assessment	Friends of Oakland Cemetery	Canine	Special Law Enforcement	Safety	Animal Rescue	Urban Renewal	Tax Increment Financing	Airport Construction	Permanent Cemetery Perpetual Care	
Receipts:											
Tax increment financing	-	-	-	-	-	-	-	-	-	-	2,887
Use of money and property	-	75	-	-	-	-	-	-	-	-	951
Miscellaneous	-	4,142	1,135	2,271	-	2,075	-	-	-	3,794	15,678
Total receipts	-	4,217	1,135	2,271	-	2,075	3,763	-	2,261	3,794	19,516
Disbursements:											
Operating:											
Public safety	-	-	-	252	-	-	-	-	-	-	1,417
Culture and recreation	-	5,783	-	-	-	1,165	-	-	-	-	5,783
Community and economic development	-	-	-	-	-	-	4,686	-	-	-	4,686
Capital projects	-	-	-	-	-	-	-	20,000	122,182	-	142,182
Total disbursements	-	5,783	-	252	-	1,165	4,686	20,000	122,182	-	154,068
Excess (deficiency) of receipts over (under) disbursements	-	(1,566)	1,135	2,019	-	910	(923)	(20,000)	(119,921)	3,794	(134,552)
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	34,700	-	34,700
Transfers out	-	-	-	-	-	-	(135,310)	-	-	-	(135,310)
Total other financing sources (uses)	-	-	-	-	-	-	(135,310)	-	34,700	-	(100,610)
Change in cash balances	-	(1,566)	1,135	2,019	-	910	(136,233)	(20,000)	(85,221)	3,794	(235,162)
Cash balances beginning of year	6,772	26,205	(1,135)	10,250	225	612	371,160	42,746	(56,622)	170,672	570,885
Cash balances end of year	\$ 6,772	24,639	-	12,269	225	1,522	234,927	22,746	(141,843)	174,466	335,723
Cash Basis Fund Balances											
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	-	-	-	174,466	174,466
Restricted for:											
Urban renewal purposes	-	-	-	-	-	-	234,927	-	-	-	234,927
Capital projects	-	-	-	-	-	-	-	22,746	-	-	22,746
Other purposes	6,772	24,639	-	12,269	225	1,522	-	-	-	-	45,427
Unassigned	-	-	-	-	-	-	-	-	(141,843)	-	(141,843)
Total cash basis fund balances	\$ 6,772	24,639	-	12,269	225	1,522	234,927	22,746	(141,843)	174,466	335,723

See notes to financial statements.

City of Centerville

Schedule 2

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds

As of and for the year ended June 30, 2015

	Enterprise		
	Storm Sewer	Airport	Total
Operating receipts:			
Use of money and property			
Charges for service	\$ -	43,300	43,300
Total operating receipts	84,223	99,937	184,160
	84,223	143,237	227,460
Operating disbursements:			
Business type activities			
Total operating disbursements	1,587	91,625	93,212
	1,587	91,625	93,212
Excess of operating receipts over operating disbursements	82,636	51,612	134,248
Non-operating receipts (disbursements):			
Miscellaneous			
Net non-operating receipts (disbursements)	-	2,827	2,827
	-	2,827	2,827
Excess of receipts over disbursements	82,636	54,439	137,075
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses)	-	(41,000)	(41,000)
	-	(41,000)	(41,000)
Change in cash balances	82,636	13,439	96,075
Cash balances beginning of year	113,750	70,513	184,263
Cash balances end of year	\$ 196,386	83,952	280,338
Cash Basis Fund Balances			
Unrestricted	\$ 196,386	83,952	280,338
Total cash basis fund balances	\$ 196,386	83,952	280,338

See accompanying independent auditor's report.

City of Centerville

Schedule 3

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

As of and for the year ended June 30, 2015

	Employee Health	Flex Plan	Total
Operating receipts:			
Charges for service:			
Personal service costs from operating funds	\$ 505,979	-	505,979
Miscellaneous:			
Employee contributions and refunds	143,588	15,493	159,081
Total operating receipts	<u>649,567</u>	<u>15,493</u>	<u>665,060</u>
Operating disbursements:			
Governmental activities:			
Public safety	280,091	-	280,091
Public works	115,244	-	115,244
Culture and recreation	15,587	-	15,587
General government	264,845	11,354	276,199
Business type activities	77,195	-	77,195
Total operating disbursements	<u>752,962</u>	<u>11,354</u>	<u>764,316</u>
Change in cash balances	(103,395)	4,139	(99,256)
Cash balances beginning of year	73,361	(1,796)	71,565
Cash balances end of year	<u>\$ (30,034)</u>	<u>2,343</u>	<u>(27,691)</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ (30,034)</u>	<u>2,343</u>	<u>(27,691)</u>
Total cash basis fund balances	<u>\$ (30,034)</u>	<u>2,343</u>	<u>(27,691)</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 4

Schedule of Indebtedness

Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Refunding Capital Loan Notes	April 19, 2011	0.75-2.00%	\$ 755,000	260,000	-	130,000	130,000	4,810	-
Refunding Capital Loan Notes	July 9, 2013	1.00-2.00%	970,000	910,000	-	225,000	685,000	13,650	-
Capital Loan Notes, Series 2014A	October 22, 2014	1.35%	150,000	-	150,000	150,000	-	169	-
Capital Loan Notes, Series 2014B	November 4, 2014	0.65-2.75%	4,165,000	-	4,165,000	115,000	4,050,000	53,687	-
Total				\$ 1,170,000	4,315,000	620,000	4,865,000	72,316	-
Revenue Note:									
Sewer Revenue Capital Loan Notes	March 18, 2013	1.75%	\$ 1,382,000	1,084,492	-	59,000	1,025,492	21,690	-
General Obligation Lease Purchase:									
Equipment	July 15, 2013	3.53%	\$ 66,059	50,536	-	16,071	34,465	1,763	-

See accompanying independent auditor's report.

City of Centerville

Schedule 5

Note Maturities

June 30, 2015

General Obligation Notes							
Year Ending June 30,	Refunding Capital Loan Notes Issued April 19, 2011		Refunding Capital Loan Notes Issued July 9, 2013		Capital Loan Notes, Series 2014B Issued November 4, 2014		Total
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2016	2.00%	\$ 130,000	1.00%	\$ 230,000	0.65%	\$ 130,000	490,000
2017	-	-	2.00%	235,000	0.65%	135,000	370,000
2018	-	-	2.00%	220,000	2.00%	165,000	385,000
2019	-	-	-	-	2.00%	415,000	415,000
2020	-	-	-	-	2.25%	425,000	425,000
2021	-	-	-	-	2.25%	435,000	435,000
2022	-	-	-	-	2.25%	445,000	445,000
2023	-	-	-	-	2.50%	455,000	455,000
2024	-	-	-	-	2.50%	470,000	470,000
2025	-	-	-	-	2.75%	480,000	480,000
2026	-	-	-	-	2.75%	495,000	495,000
		<u>\$ 130,000</u>		<u>\$ 685,000</u>		<u>\$ 4,050,000</u>	<u>4,865,000</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 6

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$2,304,368	1,900,699	1,677,161	1,762,218	1,847,624	1,776,026	1,908,000	1,942,462	1,882,266	1,955,748
Tax increment financing	2,887	200,114	200,916	198,567	202,070	302,720	-	-	-	4,983
Other city tax	951,303	754,461	864,735	660,113	602,174	645,421	594,999	563,109	620,114	502,078
Licenses and permits	24,403	30,210	28,148	46,883	25,782	29,773	29,484	28,114	67,657	66,598
Use of money and property	22,154	17,608	20,151	9,027	15,215	11,777	51,850	70,935	120,407	59,455
Intergovernmental	1,096,336	1,148,545	752,638	1,066,706	1,129,631	993,471	1,159,501	1,756,627	1,332,878	915,365
Charges for service	147,931	307,912	182,808	160,691	148,134	160,954	162,465	148,129	133,100	161,539
Special assessments	-	-	-	-	6,772	11,515	14,161	12,991	30,103	17,965
Miscellaneous	199,610	153,167	342,623	180,572	337,974	151,464	174,017	370,077	146,766	342,640
Total	\$4,748,992	4,512,716	4,069,180	4,084,777	4,315,376	4,083,121	4,094,477	4,892,444	4,333,291	4,026,371
Disbursements:										
Operating:										
Public safety	\$1,888,690	1,736,978	1,809,919	1,777,186	1,681,900	1,561,055	1,724,788	1,579,219	1,554,102	1,435,742
Public works	785,395	689,925	493,781	552,119	935,351	611,693	686,428	596,553	547,899	487,234
Culture and recreation	630,482	467,520	360,912	340,130	397,665	381,209	416,993	359,258	424,317	426,005
Community and economic development	493,875	45,206	72,196	16,235	53,003	13,710	13,705	38,578	178,143	366,224
General government	281,286	372,369	412,204	341,302	277,194	257,997	299,727	239,526	336,907	237,911
Debt service	711,751	385,816	275,703	211,821	502,502	495,480	693,641	562,694	784,457	772,593
Capital projects	732,246	640,051	376,873	816,458	414,431	300,675	646,584	1,191,523	850,995	279,500
Total	\$5,523,725	4,337,865	3,801,588	4,055,251	4,262,046	3,621,819	4,481,866	4,567,351	4,676,820	4,005,209

See accompanying independent auditor's report.

City of Centerville

Schedule of Expenditures of Federal Awards

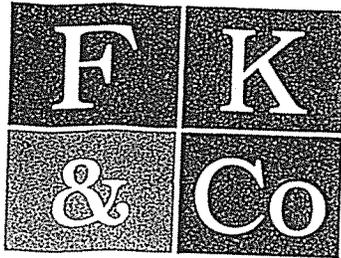
Schedule 7

Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Community Facilities Loans and Grants	10.766	-	\$ 10,000
U.S. Department of Transportation: Federal Aviation Administration Airports Division: Airport Improvement Program	20.106	3-19-0013-007-2014	94,739
U.S. Department of Homeland Security: Assistance to Firefighters Grant	97.044	EMW-2013-FO-05362	<u>131,000</u>
Total - Direct			<u>235,739</u>
Indirect:			
U.S. Department of Agriculture: Forest Service: Iowa Department of Natural Resources: Cooperative Forestry Assistance	10.664	-	3,460
U.S. Department of Justice: Iowa Governor's Office of Drug Control Policy: Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-JAG-77898	43,803
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	08-SRTS-014 05-12-STPU-025	223,042 <u>87,285</u> <u>310,327</u>
U.S. Department of Transportation: National Highway Traffic Safety Administration: Iowa Department of Transportation: State and Community Highway Safety	20.600	14-402-MOOP	<u>3,425</u>
Total - Indirect			<u>361,015</u>
Total			<u>\$ 596,754</u>

Basis of Presentation - The Schedule of Expenditure of Federal Awards includes the federal grant activity of the City of Centerville and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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 Honorable Mayor and
Members of the City Council:

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 the City of Centerville, Iowa (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2016. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Centerville Municipal Waterworks, Friends of the Drake Public Library, Friends of Centerville Parks, Inc., Centerville Volunteer Firefighters Association, and the Drake Public Library Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a 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 City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-D-15 to be a significant deficiency.

-51-

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City'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

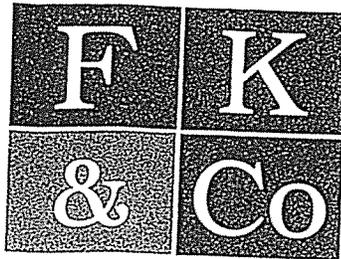
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance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



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
March 22, 2016



FALLER, KINCHELOE & CO, PLC
Certified Public Accountants

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Centerville Iowa's (City) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2015. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

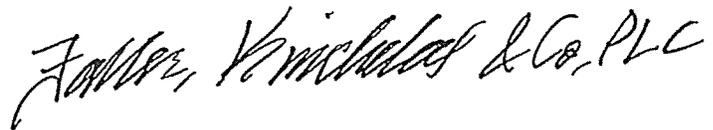
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-15 to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
March 22, 2016

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units due to the omission of the Centerville Municipal Waterworks, Friends of the Drake Public Library, Friends of Centerville Parks, Inc., Centerville Volunteer Firefighters Association and the Drake Public Library Foundation.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Centerville did not qualify as a low-risk auditee.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although one to three individuals are involved in the accounting duties of the City of Centerville (City), the Centerville Public Library (Library) and the Centerville Municipal Airport (Airport), there is insufficient segregation of duties to prevent one individual from having control over each of the following areas:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City, the Library and the Airport should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The City, the Library and the Airport will review their control procedures to obtain the maximum internal control possible with the limited staff they have.

Conclusion – Response acknowledged.

II-B-15 Financial Reporting – Internal controls over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The City does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting purposes. While this circumstance is not uncommon for most small governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – With a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, we recommend the City continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – The management officials will attempt to read relevant accounting literature and attend professional education courses to improve in the ability to apply accounting principles. However, it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

II-C-15 Airport Procedures – The Airport bank reconciliations were not materially accurate as of June 30, 2015.

The Airport buys fuel in bulk and resells the fuel to its customers. However, it does not appear the Airport has procedures in place to provide assurance that all fuel bought for resale is either on hand, sold to customers, or used by the Airport on airport equipment.

The Airport collects most of its monies from the rental of its facilities and from fuel sales. Documentation supporting these collections was inadequate to determine the amount of monies which should have been collected and deposited to the Airport bank account.

Recommendation – The Airport should perform accurate monthly bank reconciliations. In addition, the Airport should implement procedures to provide assurance that all fuel is accounted for properly, and that all monies received by the Airport from rent and fuel sales are properly collected and deposited to the Airport bank account.

Response – We will review these issues and take appropriate action.

Conclusion – Response acknowledged.

II-D-15 Receipts – Instances were noted where the Library did not always deposit receipts on a timely basis. In addition, an immediate record of receipt was not made for some library receipts.

Procedures do not appear to be adequate in the collection of delinquent fire department related service calls.

Recommendation – The Library should implement procedures to ensure all receipts are deposited on a timely basis, and that an immediate record of receipt is made for all Library receipts. The City should also implement procedures to ensure all monies are collected for fire department related service calls.

Response – We will attempt to implement these recommendations.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: 08-SRTS-014, 05-12-STPU-025
Federal Award Year: 2008, 2012
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-15 (2015-001) Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record keeping for receipts, including those related to federal programs. See item II-A-15.

III-B-15 (2015-002) Public Hearing for Public Improvements – The City did not publish a notice or hold a public hearing for the Safe Routes to School project or the West State Street project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement with an estimated total cost in excess of \$100,000, the City Council should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response – We will publish the appropriate notice in the future as required and hold the public hearing as required.

Conclusion – Response acknowledged.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the culture and recreation, community and economic development and the debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

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

IV-C-15 Travel Expense – No disbursements were noted of City money for travel expenses of spouses of City officials or employees.

IV-D-15 Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rob Lind, Council Member Owner of Centerville Greenhouses	Supplies	\$653

In accordance with Chapter 362.5 (3) (j) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The Centerville Municipal Airport (Airport) claims were not approved by the City Council or published in the newspaper as required by Chapter 372.13 (6) of the Code of Iowa.

Recommendation – Airport claims should be approved by the City Council and published in the newspaper, as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion - Response acknowledged.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

IV-G-15 Deposits and Investments – No instances were noted of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy.

IV-H-15 Revenue Notes – No instances of non-compliance were noted with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy.

IV-I-15 Financial Condition – As documented in Note 13 in the Notes to the Financial Statements, the Capital Projects, Airport Construction Fund and the Internal Service, Employee Health Fund both had deficit balances at June 30, 2015.

Recommendation – The City should monitor the above funds in order to eliminate these deficits.

Response – We will monitor these funds and attempt to implement this recommendation.

Conclusion – Response acknowledged.

IV-J-15 Release of Claim – The City has not obtained release of claim forms from the Centerville Community School District and Appanoose County in relation to disputed payment in lieu of tax monies. It appears that over five years ago the City met the terms of the agreements with the Centerville Community School District and Appanoose County in relation to the disputed payment in lieu of tax monies.

Recommendation – The City should implement procedures to ensure release of claim forms are obtained from the Centerville Community School District and Appanoose County in relation to the disputed payment in lieu of tax monies.

Response – We are in the process of implementing this recommendation.

Conclusion – Response acknowledged.

IV-K-15 Public Hearing – For a sewer construction project, the City did not publish the notice of public hearing within 4-20 days prior to the public hearing, as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – The City should implement procedures to ensure that the Code of Iowa requirements are met in relation to publishing and holding a public hearing on applicable construction projects.

Response – We will implement this recommendation.

Conclusion - Response acknowledged.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

IV-L-15 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Centerville Public Library (Library) does not receive an image of the back of each cancelled check for one bank account.

Recommendation – The Library should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

IV-M-15 Separately Maintained Records – The Library and the Airport maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

IV-N-15 Monies in the Drake Public Library Foundation – During the fiscal year, the Library gave \$250,000 to the Drake Public Library Foundation (Foundation), a non-profit corporation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly." In addition, Chapter 392.5 of the Code of Iowa states, in part, "A library board may accept and control the expenditure of all gifts, devises, and bequests to the library."

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property."

Recommendation – The City should consult legal counsel and recover the remaining proceeds of the Library's monies. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

Response – We have transferred the monies in question back to the City in fiscal year 2016.

Conclusion – Response acknowledged.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

- IV-O-15 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.
- During the year ended June 30, 2015, the City paid \$4,686 of legal fees from the Special Revenue, Urban Renewal Tax Increment Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.
- Recommendation – The City should consult with legal counsel in order to determine the disposition of this matter.
- Response – We will consult with legal counsel in relation to this.
- Conclusion – Response acknowledged.
- IV-P-15 Miscellaneous - A former employee is still listed as an authorized signer on a bank account signature card.
- It does not appear that the City's firemen are receiving overtime or compensatory time as required by the Fair Labor Standards Act.
- Recommendation – Former employees should be removed from the bank signature cards. In addition, the City should implement procedures to ensure all employees are compensated in accordance with the Fair Labor Standards Act.
- Response – We will review this and take appropriate action.
- Conclusion – Response acknowledged.
- IV-Q-15 Disbursements – The City grants money to a local non-profit development organization. There is no agreement between the City and the non-profit development organization which documents how the monies received are to be spent and what documentation the non-profit development organization is to provide to the City related to the use of the City funds.
- Recommendation – The City should enter into an agreement with the non-profit development organization and require documentation of how the funds were used to accomplish economic development activities.
- Response – We will review this issue.
- Conclusion – Response acknowledged.
- IV-R-15 Annual Urban Renewal Report (AURR) – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the Levy Authority Summary documents an excess cash balance of \$102,827 in the Special Revenue, Urban Renewal Tax Increment Fund as of June 30, 2015. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the Urban Renewal Tax Increment Fund ceases to exist, the excess balance remaining in this fund, if any, should be remitted to the County Treasurer and allocated to the respective taxing districts.

City of Centerville

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Recommendation – The City should consult legal counsel to determine the disposition of excess monies in the Special Revenue, Urban Renewal Tax Increment Fund. If the City has no additional tax increment financing debt, the \$102,827 should be remitted to the County Treasurer and allocated to the respective taxing districts.

Response – We will consult with our Attorney in relation to the above, and determine an appropriate course of action.

Conclusion – Response acknowledged.