

CENTERVILLE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Roos	President	2015
Nick Hindley	Vice President	2015
Bill Matkovich	Board Member	2015
Michelle Moore	Board Member (Resigned February 2015)	2015
Joe Sharp	Board Member	2017
Marty Braster	Board Member	2017
Steve Hoch	Board Member	2015
Larry Heffron	Board Member (Appointed February 2015)	2015

School Officials

Anthony Ryan	Superintendent	2015
Linda Henderson	Board Secretary/Business Manager	2015
Rick Engel	Attorney	2015

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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 Centerville Community School District, Centerville, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 16 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centerville Community School District'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 six years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to the second paragraph of this report, for the three years ended June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2016, on our consideration of Centerville Community School District'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 Centerville Community School District's internal control over financial reporting and compliance.

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

January 21, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,353,086 in fiscal year 2014 to \$14,788,219 in fiscal year 2015, and General Fund expenditures increased from \$13,964,746 in fiscal year 2014 to \$14,154,863 in fiscal year 2015. The District's General Fund balance increased from \$2,232,444 at June 30, 2014 to \$2,865,800 at June 30, 2015, a 28.37% increase.
- The increase in General Fund revenues was primarily attributable to an increase in state and federal sources revenues received as compared to the prior year. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Federal Awards provides details of various federal programs benefiting the District.

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

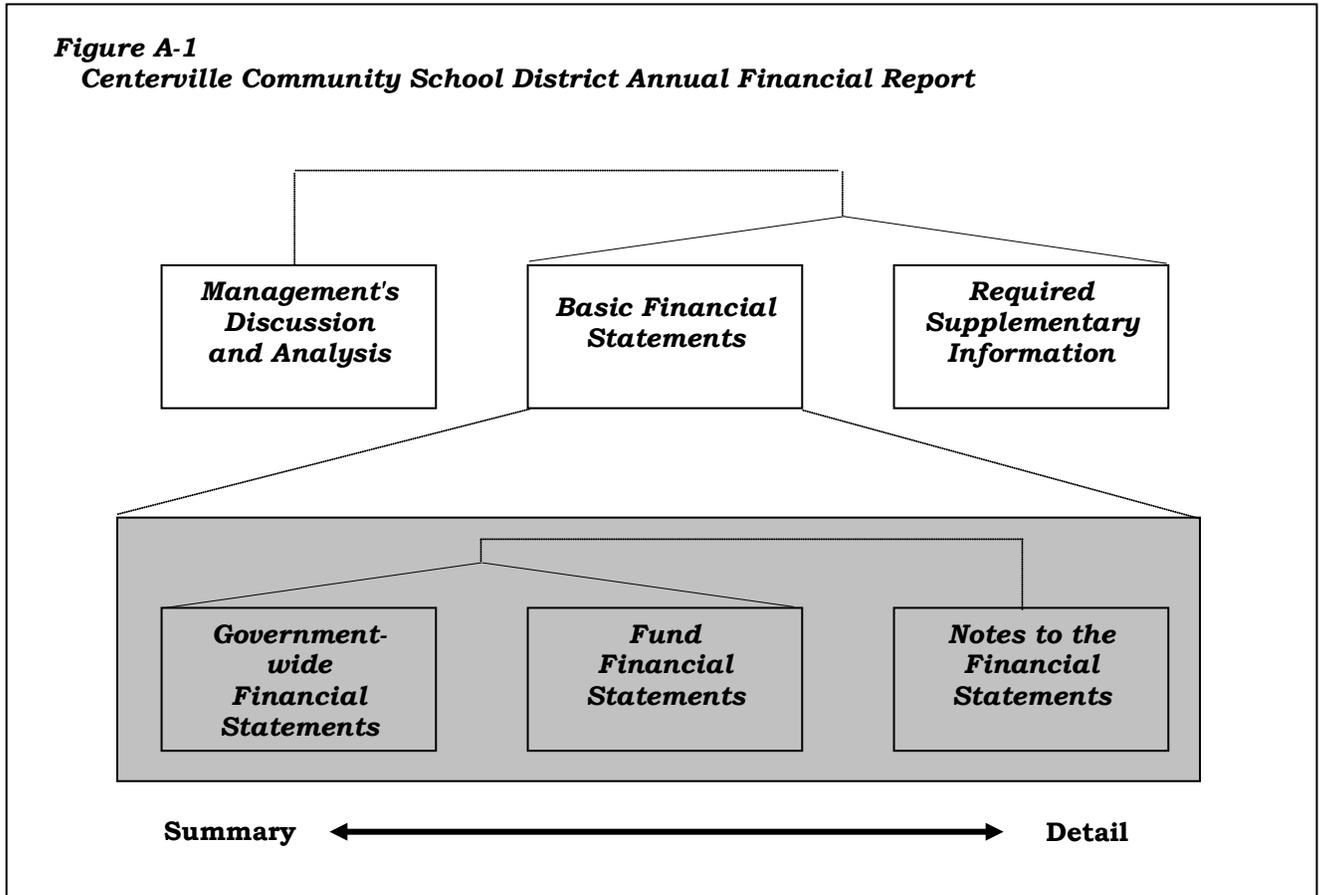


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for the assets that belong to others. These funds include Private Purpose Trust fund.
 - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2014 compared to June 30, 2015.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	2014 (Not Restated)	June 30, 2015	2014 (Not Restated)	June 30, 2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 14,085,601	12,318,792	61,281	84,654	14,146,882	12,403,446	14.06%
Capital assets	9,010,615	8,589,732	58,183	29,505	9,068,798	8,619,237	5.22%
Total assets	23,096,216	20,908,524	119,464	114,159	23,215,680	21,022,683	10.43%
Deferred outflows of resources	1,101,568	-	30,737	-	1,132,305	-	100.00%
Long-term liabilities	5,949,231	778,211	151,144	-	6,100,375	778,211	683.90%
Other liabilities	1,998,440	1,745,200	55,641	51,259	2,054,081	1,796,459	14.34%
Total liabilities	7,947,671	2,523,411	206,785	51,259	8,154,456	2,574,670	216.72%
Deferred inflows of resources	6,650,718	4,640,752	57,720	-	6,708,438	4,640,752	44.55%
Net position:							
Net investment in capital assets	8,740,615	8,019,732	58,183	29,505	8,798,798	8,049,237	9.31%
Restricted	5,393,718	4,234,592	-	-	5,393,718	4,234,592	27.37%
Unrestricted	(4,534,938)	1,490,037	(172,487)	33,395	(4,707,425)	1,523,432	-409.00%
Total net position	\$ 9,599,395	13,744,361	(114,304)	62,900	9,485,091	13,807,261	-31.30%

The District's total net position decreased by 31.30%, or \$4,322,170 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,159,126, or 27.37% from the prior year. The increase is primarily due to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased \$6,230,857, or 409.04%. This decrease was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$6,803,861 and \$188,802, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities,

pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental		Business Type		Total		Total Change
	Activities		Activities				
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Revenues							
Program revenues:							
Charges for service	\$ 653,291	781,798	206,002	214,323	859,293	996,121	-13.74%
Operating grants, contributions and restricted interest	1,792,009	1,846,298	406,642	408,703	2,198,651	2,255,001	-2.50%
Capital grants, contributions and restricted interest	29,337	43,902	34,243	-	63,580	43,902	44.82%
General revenues:							
Property tax	4,655,380	4,507,124	-	-	4,655,380	4,507,124	3.29%
Income surtax	162,436	154,903	-	-	162,436	154,903	4.86%
Statewide sales, services and use tax	1,444,284	1,068,758	-	-	1,444,284	1,068,758	35.14%
Unrestricted state grants	8,593,530	8,207,940	-	-	8,593,530	8,207,940	4.70%
Nonspecific program federal revenue	5,869	6,651	-	-	5,869	6,651	-11.76%
Unrestricted investment earnings	30,584	29,936	23	34	30,607	29,970	2.13%
Other	223,802	123,016	1,283	1,266	225,085	124,282	81.11%
Total revenues	17,590,522	16,770,326	648,193	624,326	18,238,715	17,394,652	4.85%
Program expenses:							
Instruction	10,055,885	10,366,588	-	-	10,055,885	10,366,588	-3.00%
Support services	3,999,367	4,389,662	15,663	18,966	4,015,030	4,408,628	-8.93%
Non-instructional programs	-	-	620,932	640,698	620,932	640,698	-3.09%
Other expenses	876,375	867,251	-	-	876,375	867,251	1.05%
Total expenses	14,931,627	15,623,501	636,595	659,664	15,568,222	16,283,165	-4.39%
Excess(Deficiency) of revenues over(under) expenses	2,658,895	1,146,825	11,598	(35,338)	2,670,493	1,111,487	140.26%
Extraordinary item:							
Compensation for loss of capital assets	-	389,338	-	-	-	389,338	-100.00%
Change in net position	2,658,895	1,536,163	11,598	(35,338)	2,670,493	1,500,825	77.94%
Net position beginning of year, as restated	6,940,500	12,208,198	(125,902)	98,238	6,814,598	12,306,436	-44.63%
Net position end of year	\$ 9,599,395	13,744,361	(114,304)	62,900	9,485,091	13,807,261	-31.30%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.45% of the governmental revenue while charges for service and operating grants and contributions accounted for 94.52% of the revenue of the business type activities.

The District's total revenues were approximately \$18.24 million, of which approximately \$17.59 million was for governmental activities and approximately \$0.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.85% increase in revenues and a 4.39% decrease in expenses. The increase in revenues was due to increases in unrestricted state grant and statewide sales, services and use tax revenue received compared to the prior year. The decrease in total expenses was due to decreased support services expenses incurred when compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$17,590,522 and expenses were \$14,931,627 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
		2014	Change		2014	Change
	2015	(Not Restated)	2014-15	2015	(Not Restated)	2014-15
Instruction	\$ 10,055,885	10,366,588	-3.00%	\$ 8,226,244	8,359,274	-1.59%
Support services	3,999,367	4,389,662	-8.89%	3,913,532	4,277,021	-8.50%
Other expenses	876,375	867,251	1.05%	317,214	315,208	0.64%
Totals	\$ 14,931,627	15,623,501	-4.43%	\$ 12,456,990	12,951,503	-3.82%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$653,291.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,821,346.
- The net cost of governmental activities was financed with \$4,655,380 in property tax, \$162,436 in income surtax, \$1,444,284 in statewide sales, services and use tax, \$8,593,530 in unrestricted state grants, \$5,869 in nonspecific program federal revenue, \$30,584 in unrestricted investment earnings, and \$223,802 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015, totaled \$648,193, representing a 3.82% increase from the prior year, while expenses totaled \$636,595, representing a 3.50% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,361,100, above last year's ending fund balances of \$5,681,470. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to the increase in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Total revenues increased due to increases in state and federal source revenue received compared to the prior year and total expenditures increased due to negotiated salaries and benefits paid to District employees. Total revenues outpaced total expenditures for the year resulting in an increase of the General Fund balance from \$2,232,444 at June 30, 2014 to \$2,865,800 at June 30, 2015.
- The Capital Projects Fund balance increased from \$2,671,492 at June 30, 2014, to \$3,567,981 at June 30, 2015. This increase was primarily due to an increase in statewide sales, services and use tax revenues received compared to the prior year.

Proprietary Fund Highlights

The Enterprise, School Nutrition Fund net position improved from a restated deficit net position of \$125,902 at July 1, 2014 to a deficit net position of \$114,304 at June 30, 2015, representing an increase of 9.21%. An increase in federal source revenues received compared to the prior year was the primary reason for the increase in net position during the year.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$596,790 less than budgeted revenues, a variance of 3.17%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$9,086,798, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.22% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$499,484.

The original cost of the District’s capital assets was \$19,970,615. Governmental funds account for \$19,674,452 with the remainder of \$296,163 is accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District’s construction in progress totaled \$153,508 at June 30, 2014, compared to \$345,867 reported at June 30, 2015. This increase resulted primarily from the District beginning construction improvement projects on District buildings during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 196,400	196,400	-	-	196,400	196,400	0.00%
Construction in progress	345,867	153,508	-	-	345,867	153,508	125.31%
Buildings	7,822,597	7,723,524	-	-	7,822,597	7,723,524	1.28%
Land improvements	239,123	159,372	-	-	239,123	159,372	50.04%
Machinery and equipment	406,628	356,928	58,183	29,505	464,811	386,433	20.28%
Total	\$ 9,010,615	8,589,732	58,183	29,505	9,068,798	8,619,237	5.22%

Long-Term Debt

At June 30, 2015, the District had \$6,100,375 in general obligation and other long-term debt outstanding. This represents an increase of 683.90% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$270,000 at June 30, 2015 payable from the Debt Service Fund.

The District had compensated absences payable of \$112,704 at June 30, 2015, payable from the General Fund.

The District had a net pension liability associated with its early retirement and payout of accumulated sick and flex leave days in accordance with the District's master contract of \$122,288 at June 30, 2015.

The District had a net pension liability associated with IPERS of \$5,576,353 at June 30, 2015, of which \$5,425,791 was attributable to the governmental activities and \$150,562 was attributable to business type activities.

The District had a total net OPEB liability of \$19,030 at June 30, 2015. Governmental activities account for \$18,448 of the total while business type activities account for the remaining \$582.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
General obligation bonds	\$ 270,000	570,000	-	-	270,000	570,000	-52.63%
Compensated absences	112,704	115,738	-	-	112,704	115,738	-2.62%
Net pension liability - early retirement	122,288	92,473	-	-	122,288	92,473	32.24%
Net pension liability - IPERS	5,425,791	-	150,562	-	5,576,353	-	100.00%
Net OPEB liability	18,448	-	582	-	19,030	-	100.00%
Totals	\$ 5,949,231	778,211	151,144	-	6,100,375	778,211	683.90%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in 15 of the past 18 years.
- Due to declining enrollment, the General Fund expenditure budget has liabilities that have to be attentively maintained to sustain ongoing expenditure practices.
- Low supplemental state aid, also known as allowable growth, increases over the past several years has had a negative impact on the district's spending authority balance.
- The state's financial woes and inability to make its foundation payments to schools in the full compounds the district's economic issues and at this time may be the most serious of the factors causing concern for the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anthony Ryan, Superintendent, Centerville Community School District, PO Box 370, Centerville, Iowa, 52544.

Basic Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 8,863,125	17,451	8,880,576
Receivables:			
Property tax:			
Delinquent	102,170	-	102,170
Succeeding year	4,570,651	-	4,570,651
Income surtax	155,601	-	155,601
Accounts	2,562	100	2,662
Due from other governments	391,492	34,243	425,735
Inventories	-	9,487	9,487
Capital assets, net of accumulated depreciation	9,010,615	58,183	9,068,798
Total Assets	23,096,216	119,464	23,215,680
Deferred Outflows of Resources:			
Pension related deferred outflows	1,101,568	30,737	1,132,305
Liabilities			
Accounts payable	428,568	59	428,627
Salaries and benefits payable	1,569,681	46,778	1,616,459
Accrued interest payable	191	-	191
Unearned revenue	-	8,804	8,804
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	270,000	-	270,000
Compensated absences payable	112,704	-	112,704
Portion due after one year:			
Net pension liability - early retirement	122,288	-	122,288
Net pension liability - IPERS	5,425,791	150,562	5,576,353
Net OPEB liability	18,448	582	19,030
Total Liabilities	7,947,671	206,785	8,154,456
Deferred Inflows of Resources:			
Unavailable property tax revenue	4,570,651	-	4,570,651
Pension related deferred inflows	2,080,067	57,720	2,137,787
Total Deferred Inflows of Resources	6,650,718	57,720	6,708,438
Net Position			
Net investment in capital assets	8,740,615	58,183	8,798,798
Restricted for:			
Categorical funding	676,205	-	676,205
School infrastructure	3,790,385	-	3,790,385
Management levy purposes	472,041	-	472,041
Student activities	174,404	-	174,404
Support trust	256,714	-	256,714
Debt service	23,969	-	23,969
Unrestricted	(4,534,938)	(172,487)	(4,707,425)
Total Net Position	\$ 9,599,395	(114,304)	9,485,091

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,158,883	341,555	99,329	-	(5,717,999)	-	(5,717,999)
Special	1,788,614	69,103	384,632	-	(1,334,879)	-	(1,334,879)
Other	2,108,388	222,076	712,946	-	(1,173,366)	-	(1,173,366)
	<u>10,055,885</u>	<u>632,734</u>	<u>1,196,907</u>	<u>-</u>	<u>(8,226,244)</u>	<u>-</u>	<u>(8,226,244)</u>
Support services:							
Student	513,294	-	6,822	-	(506,472)	-	(506,472)
Instructional staff	301,836	-	-	-	(301,836)	-	(301,836)
Administration	1,517,592	20,432	25,327	-	(1,471,833)	-	(1,471,833)
Operation and maintenance of plant	1,166,622	-	-	29,337	(1,137,285)	-	(1,137,285)
Transportation	500,023	125	3,792	-	(496,106)	-	(496,106)
	<u>3,999,367</u>	<u>20,557</u>	<u>35,941</u>	<u>29,337</u>	<u>(3,913,532)</u>	<u>-</u>	<u>(3,913,532)</u>
Long-term debt interest	4,720	-	-	-	(4,720)	-	(4,720)
Other expenses:							
AEA flowthrough	559,161	-	559,161	-	-	-	-
Depreciation(unallocated)*	312,494	-	-	-	(312,494)	-	(312,494)
	<u>871,655</u>	<u>-</u>	<u>559,161</u>	<u>-</u>	<u>(312,494)</u>	<u>-</u>	<u>(312,494)</u>
Total governmental activities	<u>14,931,627</u>	<u>653,291</u>	<u>1,792,009</u>	<u>29,337</u>	<u>(12,456,990)</u>	<u>-</u>	<u>(12,456,990)</u>
Business type activities:							
Support services:							
Administration	3,708	-	-	-	-	(3,708)	(3,708)
Operation and maintenance of plant	11,955	-	-	-	-	(11,955)	(11,955)
Non-instructional programs:							
Food service operations	620,932	206,002	406,642	34,243	-	25,955	25,955
Total business type activities	<u>636,595</u>	<u>206,002</u>	<u>406,642</u>	<u>34,243</u>	<u>-</u>	<u>10,292</u>	<u>10,292</u>
Total	<u>\$ 15,568,222</u>	<u>859,293</u>	<u>2,198,651</u>	<u>63,580</u>	<u>(12,456,990)</u>	<u>10,292</u>	<u>(12,446,698)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 4,132,359	-	4,132,359
Debt service					305,857	-	305,857
Capital outlay					217,164	-	217,164
Income surtax					162,436	-	162,436
Statewide sales, services and use tax					1,444,284	-	1,444,284
Unrestricted state grants					8,593,530	-	8,593,530
Nonspecific program federal revenue					5,869	-	5,869
Unrestricted investment earnings					30,584	23	30,607
Other general revenues					223,802	1,283	225,085
Total general revenues					<u>15,115,885</u>	<u>1,306</u>	<u>15,117,191</u>
Change in net position					2,658,895	11,598	2,670,493
Net position beginning of year, as restated					<u>6,940,500</u>	<u>(125,902)</u>	<u>6,814,598</u>
Net position end of year					<u>\$ 9,599,395</u>	<u>(114,304)</u>	<u>9,485,091</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 4,343,891	3,596,194	923,040	8,863,125
Receivables:				
Property tax:				
Delinquent	80,796	6,062	15,312	102,170
Succeeding year	3,574,832	222,023	773,796	4,570,651
Income surtax	51,867	103,734	-	155,601
Accounts	853	215	1,494	2,562
Due from other funds	12,544	-	-	12,544
Due from other governments	189,853	201,519	120	391,492
Total Assets	\$ 8,254,636	4,129,747	1,713,762	14,098,145
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Due to other funds	\$ -	12,544	-	12,544
Accounts payable	192,456	223,465	12,647	428,568
Salaries and benefits payable	1,569,681	-	-	1,569,681
Total liabilities	1,762,137	236,009	12,647	2,010,793
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,574,832	222,023	773,796	4,570,651
Income surtax	51,867	103,734	-	155,601
Total deferred inflows of resources	3,626,699	325,757	773,796	4,726,252
Fund balances:				
Restricted for:				
Categorical funding	676,205	-	-	676,205
School infrastructure	-	3,790,385	-	3,790,385
Management levy purposes	-	-	472,041	472,041
Student activities	-	-	174,404	174,404
Support trust	-	-	256,714	256,714
Debt service	-	-	24,160	24,160
Unassigned:				
General	2,189,595	-	-	2,189,595
Physical plant and equipment levy	-	(222,404)	-	(222,404)
Total fund balances	2,865,800	3,567,981	927,319	7,361,100
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,254,636	4,129,747	1,713,762	14,098,145

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	7,361,100
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		9,010,615
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(191)
Accounts receivable income surtax is not available to finance current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		155,601
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,101,568	
Deferred inflows of resources	<u>(2,080,067)</u>	(978,499)
Long-term liabilities, including general obligation bond payable, compensated absences payable, other post employment benefits payable, net pension liability - early retirement, and net pension liability - IPERS are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(5,949,231)</u>
Net position of governmental activities(page 18)	\$	<u><u>9,599,395</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,781,275	317,517	707,118	4,805,910
Tuition	375,785	-	-	375,785
Other	285,112	38,337	262,955	586,404
State sources	9,430,668	1,447,572	10,704	10,888,944
Federal sources	915,379	5,302	892	921,573
Total revenues	<u>14,788,219</u>	<u>1,808,728</u>	<u>981,669</u>	<u>17,578,616</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,262,933	615	58,077	6,321,625
Special	1,812,683	-	-	1,812,683
Other	1,854,712	-	285,643	2,140,355
	<u>9,930,328</u>	<u>615</u>	<u>343,720</u>	<u>10,274,663</u>
Support services:				
Student	517,879	-	-	517,879
Instructional staff	263,100	15,090	-	278,190
Administration	1,470,852	109	109,424	1,580,385
Operation and maintenance of plant	999,971	-	57,542	1,057,513
Transportation	413,572	86,970	16,303	516,845
	<u>3,665,374</u>	<u>102,169</u>	<u>183,269</u>	<u>3,950,812</u>
Capital outlay	-	816,625	-	816,625
Long-term debt:				
Principal	-	-	300,000	300,000
Interest and fiscal charges	-	-	4,895	4,895
	<u>-</u>	<u>-</u>	<u>304,895</u>	<u>304,895</u>
Other expenditures:				
AEA flowthrough	559,161	-	-	559,161
Total expenditures	<u>14,154,863</u>	<u>919,409</u>	<u>831,884</u>	<u>15,906,156</u>
Excess of revenues over expenditures	633,356	889,319	149,785	1,672,460
Other financing sources:				
Compensation for loss of capital assets	-	7,170	-	7,170
Change in fund balances	633,356	896,489	149,785	1,679,630
Fund balances beginning of year	<u>2,232,444</u>	<u>2,671,492</u>	<u>777,534</u>	<u>5,681,470</u>
Fund balances end of year	<u>\$ 2,865,800</u>	<u>3,567,981</u>	<u>927,319</u>	<u>7,361,100</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds(page 22) \$ 1,679,630

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

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

Capital outlays	\$ 911,062	
Depreciation expense	<u>(490,179)</u>	420,883

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 300,000

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow resources in the governmental funds. 11,906

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 175

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 803,148

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

Compensated absences	3,034	
Pension expense - IPERS	(403,577)	
Pension expense - early retirement	(29,815)	
Other postemployment benefits	<u>(126,489)</u>	<u>(556,847)</u>

Change in net position of governmental activities (page 19) \$ 2,658,895

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 17,451
Accounts receivable	100
Due from other governments	34,243
Inventories	9,487
Total current assets	61,281
Noncurrent assets:	
Capital assets, net of accumulated depreciation	58,183
Total Assets	119,464
Deferred Outflows of Resources	
Pension related deferred outflows	30,737
Liabilities	
Current liabilities:	
Accounts payable	59
Salaries and benefits payable	46,778
Unearned revenue	8,804
Total current liabilities	55,641
Noncurrent liabilities:	
Net pension liability - IPERS	150,562
Net OPEB liability	582
Total noncurrent liabilities	151,144
Total Liabilities	206,785
Deferred Inflows of Resources	
Pension related deferred inflows	57,720
Net Position	
Net investment in capital assets	58,183
Unrestricted	(172,487)
Total Net Position	\$ (114,304)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 206,002
Miscellaneous	1,283
Total operating revenues	207,285
Operating expenses:	
Support services:	
Administration:	
Services	1,506
Supplies	2,112
Other	90
	3,708
Operation and maintenance of plant:	
Services	11,432
Supplies	523
	11,955
Total support services	15,663
Non-instructional programs:	
Food service operations:	
Salaries	241,991
Benefits	66,066
Services	677
Supplies	301,832
Depreciation	9,305
Other	739
Total non-instructional programs	620,610
Total operating expenses	636,273
Operating loss	(428,988)
Non-operating revenues(expenses):	
Loss on disposal of capital assets	(322)
State sources	5,259
Federal sources	435,626
Interest income	23
Total non-operating revenues(expenses)	440,586
Change in net position	11,598
Net position beginning of year, as restated	(125,902)
Net position end of year	\$ (114,304)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 206,116
Cash received from miscellaneous sources	1,283
Cash payments to employees for services	(311,137)
Cash payments to suppliers for goods or services	(286,017)
Net cash used in operating activities	(389,755)
Cash flows from non-capital financing activities:	
State grants received	5,259
Federal grants received	367,286
Net cash provided by non-capital financing activities	372,545
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(38,305)
Cash flows from investing activities:	
Interest on investments	23
Net decrease in cash and pooled investments	(55,492)
Cash and pooled investments beginning of year	72,943
Cash and pooled investments end of year	\$ 17,451
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (428,988)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	34,097
Depreciation	9,305
Increase in inventories	(1,200)
Increase in accounts receivable	(86)
Decrease in accounts payable	(3)
Increase in salaries and benefits payable	4,185
Increase in unearned revenue	200
Decrease in net pension liability	(60,424)
Increase in deferred outflows of resources	(8,553)
Increase in deferred inflows of resources	57,720
Increase in other postemployment benefits	3,992
Net cash used in operating activities	\$ (389,755)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015 the District received Federal commodities valued at \$34,097.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 358,905
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 358,905</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 13,634
Interest income	1,531
Total additions	<u>15,165</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>11,750</u>
Change in net position	3,415
Net position beginning of year	<u>355,490</u>
Net position end of year	<u>\$ 358,905</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Taxes - Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangible assets	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Land improvements	20 years
Intangible assets	2-10 years
Machinery and equipment	5-12 years

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2015, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2015.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

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

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$72 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Project: Physical Plant and Equipment Levy	<u>\$ 12,544</u>

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the General Fund for income surtax revenue received in the incorrect fund during the prior year.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 196,400	-	-	196,400
Construction in progress	153,508	683,677	491,318	345,867
Total capital assets not being depreciated	<u>349,908</u>	<u>683,677</u>	<u>491,318</u>	<u>542,267</u>
Capital assets being depreciated:				
Buildings	15,331,973	380,801	-	15,712,774
Land improvements	504,797	110,517	-	615,314
Machinery and equipment	2,578,697	227,385	1,985	2,804,097
Total capital assets being depreciated	<u>18,415,467</u>	<u>718,703</u>	<u>1,985</u>	<u>19,132,185</u>
Less accumulated depreciation for:				
Buildings	7,608,449	281,728	-	7,890,177
Land improvements	345,425	30,766	-	376,191
Machinery and equipment	2,221,769	177,685	1,985	2,397,469
Total accumulated depreciation	<u>10,175,643</u>	<u>490,179</u>	<u>1,985</u>	<u>10,663,837</u>
Total capital assets being depreciated, net	<u>8,239,824</u>	<u>228,524</u>	<u>-</u>	<u>8,468,348</u>
Governmental activities capital assets, net	<u>\$ 8,589,732</u>	<u>912,201</u>	<u>491,318</u>	<u>9,010,615</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 258,502	38,305	644	296,163
Less accumulated depreciation	228,997	9,305	322	237,980
Business type activities capital assets, net	<u>\$ 29,505</u>	<u>29,000</u>	<u>322</u>	<u>58,183</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 94,498
Support services:	
Transportation	83,187
	<u>177,685</u>
Unallocated depreciation	<u>312,494</u>
Total governmental activities depreciation expense	<u>\$ 490,179</u>
Business type activities:	
Food service operations	<u>\$ 9,305</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 570,000	-	300,000	270,000	270,000
Compensated Absences	115,738	112,704	115,738	112,704	112,704
Net Pension Liability - Early Retirement	92,473	29,815	-	122,288	-
Net Pension Liability - IPERS	7,603,303	-	2,177,512	5,425,791	-
Net OPEB Liability	-	18,448	-	18,448	-
Total	<u>\$ 8,381,514</u>	<u>160,967</u>	<u>2,593,250</u>	<u>5,949,231</u>	<u>382,704</u>
<u>Business Type Activities:</u>					
Net pension Liability - IPERS	\$ 210,986	-	60,424	150,562	-
Net OPEB Liability	-	582	-	582	-
Total	<u>\$ 210,986</u>	<u>582</u>	<u>60,424</u>	<u>151,144</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of February 14, 2013			
	Rate	Principal	Interest	Total
2016	0.85 %	\$ 270,000	2,295	272,295

Note 6. Supplemental Pension Plan - Early Retirement

Plan Description - The District provides a defined benefit pension benefit to eligible employees. Currently, all employees with the District who retire are eligible for this benefit. There are 196 active members in the plan as of June 30, 2015. The pension benefit is defined by the 2011-12 Master Contract, with the benefit being based on length of service to the District, hourly rate and number of sick leave/flexible leave day accrued. This benefit is paid in one lump sum upon retirement.

Funding Policy - Contribution requirements for the plan are established and may be amended by the District. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding all the pension benefits. Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 76,880
Interest on net pension liability	2,312
Adjustment to annual required contribution	(6,579)
Annual pension cost	72,613
Contributions made	(42,798)
Change in net pension obligation	29,815
Net pension obligation beginning of year	92,473
Net pension obligation end of year	\$ 122,288

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2011. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$42,798 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2013	\$ 81,385	41.57%	\$ 105,813
2014	90,021	115.49%	92,473
2015	72,613	58.94%	122,288

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$568,011, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$568,011. The covered payroll (annual payroll of active employees covered by the plan) was \$9,242,624 and the ratio of the UAAL to covered payroll was 6.15%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District' funding policy. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

Note 7. Pension Plan - IPERS

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

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

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

retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$825,604.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$5,576,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.137787 percent, which was a decrease of 0.000226 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$414,776. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 60,604	\$ -
Changes of assumptions	246,097	-
Net difference between projected and actual earnings on pension plan investments	-	2,126,661
Changes in proportion and differences between District contributions and proportionate share of contributions	-	11,126
District contributions subsequent to the measurement date	825,604	-
Total	<u>\$ 1,132,305</u>	<u>\$ 2,137,787</u>

\$825,604 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (462,606)
2017	(462,606)
2018	(462,606)
2019	(462,606)
2020	19,338
	<u>\$ (1,831,086)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 10,536,363	\$ 5,576,353	\$ 1,389,591

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$108,863 for legally required employer contributions and \$72,535 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 163 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District has obligations of insurance premiums to successful candidates from early retirement in prior years which results in an explicit subsidy.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 131,746
Interest on net OPEB obligation	(2,786)
Adjustment to annual required contribution	41,274
Annual OPEB cost	<u>170,234</u>
Contributions made	<u>(39,753)</u>
Change in net OPEB obligation	130,481
Net OPEB obligation beginning of year	<u>(111,451)</u>
Net OPEB obligation end of year	<u><u>\$ 19,030</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 210,598	42.74%	\$ (232,109)
2014	190,242	36.58%	(111,451)
2015	170,234	23.35%	19,030

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$712,789, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$712,789. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,242,624, and the ratio of the UAAL to covered payroll was 7.71%. As of June 30, 2015, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from an aging curve based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

Centerville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$559,161 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2015 are comprised of the following programs:

Program	Amount
Limited english proficient weighting	\$ 22,371
Gifted and talented programs	10
Returning dropouts and dropout prevention	63,184
Four-year-old preschool state aid	245,293
Beginning teacher mentoring and induction program	1,836
Teacher salary supplement	76,859
Successful progression for early readers	40,736
Professional development for model core curriculum	164,093
Professional development	53,131
Teacher leadership grants	8,692
Total	\$ 676,205

Note 12. Construction Commitment

The District entered into contracts totaling \$2,496,565 for construction projects at the Junior High and Senior High Schools. As of June 30, 2015, 345,867 had been incurred against the contracts. The balance of \$2,150,698 remaining will be paid as work on the projects progress.

Note 13. Deficit Balances

The Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unassigned fund balance of \$222,404 at June 30, 2015.

The Enterprise, School Nutrition Fund had deficit unrestricted net position of \$172,487 and deficit total net position of \$114,304 and the District's governmental activities had a deficit unrestricted net position of \$4,534,938 at June 30, 2015.

Note 14. Detailed Reconciliation of Certain Governmental Fund Balances to Net Position

The following is the detailed reconciliation of certain Governmental Funds Balance Sheet to the Statement of Net Position:

	Net investment in capital assets	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	24,160	2,189,595
Capital assets, net of accumulated depreciation	9,010,615	-	-
General obligation bond capitalized indebtedness	(270,000)	-	-
Income surtax	-	-	155,601
Accrued interest payable	-	(191)	-
Net OPEB liability	-	-	(18,448)
Net pension liability - IPERS	-	-	(5,425,791)
Pension related deferred outflows	-	-	1,101,568
Pension related deferred inflows	-	-	(2,080,067)
Compensated absences payable	-	-	(112,704)
Unassigned physical plant and equipment levy	-	-	(222,404)
Net pension liability - early retirement	-	-	(122,288)
Net position (Exhibit A)	<u>\$ 8,740,615</u>	<u>23,969</u>	<u>(4,534,938)</u>

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 13,744,361	\$ 62,900
Net pension liability at June 30, 2014	(7,603,303)	(210,986)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	799,442	22,184
Net position July 1, 2014, as restated	<u>\$ 6,940,500</u>	<u>\$ (125,902)</u>

Note 16. 28E Agreement

The District continues to participate in a Chapter 28E agreement with the City of Centerville and Appanoose All-Play, Inc. This agreement is a joint agreement for the construction, maintenance and operation of Morgan E. Cline Family Sports Complex. The Centerville School District will have priority use of the competitive soccer field during soccer seasons. This agreement is in place indefinitely.

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,768,099	207,308	5,975,407	7,373,769	7,373,769	(1,398,362)
Intermediate sources	-	-	-	85,000	85,000	(85,000)
State sources	10,888,944	5,259	10,894,203	9,869,660	9,869,660	1,024,543
Federal sources	921,573	435,626	1,357,199	1,495,170	1,495,170	(137,971)
Total revenues	<u>17,578,616</u>	<u>648,193</u>	<u>18,226,809</u>	<u>18,823,599</u>	<u>18,823,599</u>	<u>(596,790)</u>
Expenditures/Expenses:						
Instruction	10,274,663	-	10,274,663	11,435,600	11,435,600	1,160,937
Support services	3,950,812	15,663	3,966,475	4,638,116	4,638,116	671,641
Non-instructional programs	-	620,932	620,932	728,000	728,000	107,068
Other expenditures	1,680,681	-	1,680,681	1,825,611	1,825,611	144,930
Total expenditures/expenses	<u>15,906,156</u>	<u>636,595</u>	<u>16,542,751</u>	<u>18,627,327</u>	<u>18,627,327</u>	<u>2,084,576</u>
Excess of revenues over expenditures/expenses	1,672,460	11,598	1,684,058	196,272	196,272	1,487,786
Other financing sources, net	<u>7,170</u>	-	<u>7,170</u>	-	-	<u>7,170</u>
Excess of revenues and other financing sources over expenditures/expenses	1,679,630	11,598	1,691,228	196,272	196,272	1,494,956
Balances beginning of year, as restated	<u>5,681,470</u>	<u>(125,902)</u>	<u>5,555,568</u>	<u>4,806,668</u>	<u>4,806,668</u>	<u>748,900</u>
Balances end of year	<u>\$ 7,361,100</u>	<u>(114,304)</u>	<u>7,246,796</u>	<u>5,002,940</u>	<u>5,002,940</u>	<u>2,243,856</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

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

	2015
District's proportion of the net pension liability	0.137787%
District's proportionate share of the net pension liability	\$ 5,576,353
District's covered-employee payroll	\$ 9,245,286
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.32%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 825,604	809,129	773,901	760,569	667,746	651,716	615,232	563,955	527,411	516,249
Contributions in relation to the statutorily required contribution	<u>(825,604)</u>	<u>(809,129)</u>	<u>(773,901)</u>	<u>(760,569)</u>	<u>(667,746)</u>	<u>(651,716)</u>	<u>(615,232)</u>	<u>(563,955)</u>	<u>(527,411)</u>	<u>(516,249)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 9,245,286	9,060,795	8,926,194	9,424,647	9,607,856	9,377,209	9,688,693	9,321,570	9,172,365	8,978,243
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 2,126,000	\$ 2,126,000	0.0 %	\$ 9,868,925	21.54 %
2011	July 1, 2010	-	1,203,000	1,203,000	0.0	9,086,847	13.24
2012	July 1, 2010	-	1,203,000	1,203,000	0.0	9,424,649	12.76
2013	July 1, 2012	-	914,690	914,690	0.0	10,211,360	8.96
2014	July 1, 2012	-	809,584	809,584	0.0	8,978,470	9.02
2015	July 1, 2012	-	712,789	712,789	0.0	9,242,624	7.71

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)			
2012	July 1, 2011	\$ -	\$ 628,605	\$ 628,605	0.0 %	\$ 9,424,649	6.67 %
2013	July 1, 2011	-	628,605	628,605	0.0	10,211,360	6.16
2014	July 1, 2012	-	686,251	686,251	0.0	8,978,470	7.64
2015	July 1, 2014	-	568,011	568,011	0.0	9,242,624	6.15

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total		
Assets						
Cash and pooled investments	\$ 464,352	183,504	257,647	905,503	17,537	923,040
Receivables:						
Property tax:						
Delinquent	8,689	-	-	8,689	6,623	15,312
Succeeding year	500,001	-	-	500,001	273,795	773,796
Accounts	-	1,494	-	1,494	-	1,494
Due from other governments	-	120	-	120	-	120
Total Assets	\$ 973,042	185,118	257,647	1,415,807	297,955	1,713,762
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,000	10,714	933	12,647	-	12,647
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	500,001	-	-	500,001	273,795	773,796
Fund balances:						
Restricted for:						
Management levy purposes	472,041	-	-	472,041	-	472,041
Student activities	-	174,404	-	174,404	-	174,404
Support trust	-	-	256,714	256,714	-	256,714
Debt service	-	-	-	-	24,160	24,160
Total fund balances	472,041	174,404	256,714	903,159	24,160	927,319
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 973,042	185,118	257,647	1,415,807	297,955	1,713,762

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total		
Revenues:						
Local sources:						
Local tax	\$ 401,261	-	-	401,261	305,857	707,118
Other	13,377	240,688	8,280	262,345	610	262,955
State sources	6,074	-	-	6,074	4,630	10,704
Federal sources	506	-	-	506	386	892
Total revenues	421,218	240,688	8,280	670,186	311,483	981,669
Expenditures:						
Current:						
Instruction						
Regular	26,010	-	32,067	58,077	-	58,077
Other	-	285,643	-	285,643	-	285,643
Support services:						
Administration	109,424	-	-	109,424	-	109,424
Operation and maintenance of plant	57,542	-	-	57,542	-	57,542
Transportation	16,303	-	-	16,303	-	16,303
Long-term debt:						
Principal	-	-	-	-	300,000	300,000
Interest and fiscal charges	-	-	-	-	4,895	4,895
Total expenditures	209,279	285,643	32,067	526,989	304,895	831,884
Change in fund balances	211,939	(44,955)	(23,787)	143,197	6,588	149,785
Fund balances beginning of year	260,102	219,359	280,501	759,962	17,572	777,534
Fund balances end of year	\$ 472,041	174,404	256,714	903,159	24,160	927,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 3,588,866	7,328	3,596,194
Receivables:			
Property tax:			
Delinquent	-	6,062	6,062
Succeeding year	-	222,023	222,023
Income surtax	-	103,734	103,734
Accounts	-	215	215
Due from other governments	201,519	-	201,519
Total Assets	\$ 3,790,385	339,362	4,129,747
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other funds	\$ -	12,544	12,544
Accounts payable	-	223,465	223,465
Total liabilities	-	236,009	236,009
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	222,023	222,023
Income surtax	-	103,734	103,734
Total deferred inflows of resources	-	325,757	325,757
Fund balances:			
Restricted for:			
School infrastructure	3,790,385	-	3,790,385
Unassigned:			
Physical plant and equipment levy	-	(222,404)	(222,404)
Total fund balances	3,790,385	(222,404)	3,567,981
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,790,385	339,362	4,129,747

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	317,517	317,517
Other	12,689	25,648	38,337
State sources	1,444,284	3,288	1,447,572
Federal sources	-	5,302	5,302
Total revenues	<u>1,456,973</u>	<u>351,755</u>	<u>1,808,728</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	615	615
Support services:			
Instructional staff	-	15,090	15,090
Administration	-	109	109
Transportation	-	86,970	86,970
Capital outlay	101,869	714,756	816,625
Total expenditures	<u>101,869</u>	<u>817,540</u>	<u>919,409</u>
Excess(Deficiency) of revenues over(under) expenditures	1,355,104	(465,785)	889,319
Other financing sources:			
Compensation for loss of capital assets	-	7,170	7,170
Change in fund balances	1,355,104	(458,615)	896,489
Fund balances beginning of year	<u>2,435,281</u>	<u>236,211</u>	<u>2,671,492</u>
Fund balances end of year	<u>\$ 3,790,385</u>	<u>(222,404)</u>	<u>3,567,981</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
GENERAL ATHLETICS	\$ 1,956	750	2,221	-	485
HIGH SCHOOL GENERAL ACCOUNT	642	987	6,757	6,114	986
THESPIAN	10,559	9,849	2,976	-	17,432
SPEECH	4,175	13	1,649	-	2,539
VOCAL MUSIC CONCERT ADMISSIONS	12,490	2,049	-	(2,391)	12,148
VOCAL MUSIC	88	-	133	133	88
K-3 VOCAL MUSIC	91	-	-	-	91
INSTRUMENTAL MUSIC CONCERT ADMISSIONS	2,448	2,412	-	(2,195)	2,665
HIGH SCHOOL INSTRUMENTAL MUSIC RESALE	565	4,457	4,738	(112)	172
JUNIOR HIGH INSTRUMENTAL MUSIC	368	1,285	3,048	1,831	436
LAKEVIEW INSTRUMENTAL MUSIC	252	878	1,500	812	442
HIGH SCHOOL INSTRUMENTAL MUSIC	227	98	2,694	2,369	-
JUNIOR HIGH ATHLETICS	9,524	18,400	28,892	1,500	532
BOYS CROSS COUNTRY	576	868	1,996	652	100
GIRLS CROSS COUNTRY	622	1,173	2,314	619	100
BOYS BASKETBALL	2,468	4,978	7,063	368	751
FOOTBALL	-	9,978	13,059	5,621	2,540
BOYS SOCCER	1,244	925	4,961	2,831	39
BASEBALL	1,070	6,332	15,074	7,774	102
BOYS TRACK	1,267	1,054	1,955	-	366
BOYS TENNIS	89	65	1,435	1,356	75
BOYS GOLF	115	818	3,092	2,267	108
WRESTLING	12	10,618	12,647	2,187	170
GIRLS BASKETBALL	2,686	3,011	2,847	-	2,850
VOLLEYBALL	1,470	2,286	3,312	-	444
GIRLS VOLLEYBALL FUNDRAISERS	596	-	-	-	596
GIRLS SOCCER	781	772	2,497	958	14
SOFTBALL	3,000	7,903	10,815	1,109	1,197
GIRLS TRACK	2,299	2,084	1,942	-	2,441
GIRLS TENNIS	113	-	1,612	1,509	10
GIRLS GOLF	400	250	2,868	2,494	276
ACTIVITY TICKET	26,388	17,335	15,277	(13,199)	15,247
K-3 GENERAL ACCOUNT	168	-	-	-	168
CENTRAL POP	1,378	1,007	1,166	-	1,219
CINCINNATI POP	160	-	-	(160)	-
GARFIELD POP	942	-	-	160	1,102
LINCOLN POP	150	-	-	-	150

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
LAKEVIEW ACTIVITY	\$ 7,930	13,062	10,618	-	10,374
LAKEVIEW POP	971	-	-	-	971
JUNIOR HIGH ACTIVITY	24,955	17,542	19,115	(1,500)	21,882
AMERI-CORPS	630	-	-	-	630
APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL	489	-	-	-	489
PRESCHOOL BUILDING ACTIVITY	151	-	-	-	151
HIGH SCHOOL BIG RED DINER	318	86	124	-	280
HIGH SCHOOL YEARBOOK	3,406	4,959	6,803	-	1,562
HIGH SCHOOL GRADUATION	2,524	2,061	2,867	-	1,718
HIGH SCHOOL SCIENCE CLUB	13	-	-	-	13
FCCLA	200	-	-	-	200
FFA	10,522	29,929	29,719	-	10,732
NATIONAL HONOR SOCIETY	420	1,692	1,694	-	418
HIGH SCHOOL CHEERLEADERS	4,957	2,371	7,078	-	250
STUDENT COUNCIL	20,900	17,663	16,263	-	22,300
SOCIAL SCIENCE	289	-	-	-	289
F.B.L.A.	657	2,085	2,454	-	288
OFFICE EDUCATION	45	-	-	-	45
STUDENT IOWEGIAN	27	-	-	-	27
SPANISH CLUB	959	-	-	-	959
TRAP SHOOTING	2,173	5,694	6,253	-	1,614
PRIDE CLUB	-	2,526	1,713	-	813
WEIGHT ROOM	414	-	184	-	230
MAT CLUB - WRESTLING	150	-	-	-	150
CLASS OF 2011	1,285	-	-	-	1,285
CLASS OF 2012	873	-	-	-	873
CLASS OF 2013	1,485	-	-	-	1,485
CLASS OF 2014	1,683	-	-	-	1,683
CLASS OF 2015	1,582	-	-	-	1,582
CLASS OF 2016	-	2,360	1,269	-	1,091
ATHLETIC BOOSTER CLUB	37,571	25,458	18,831	(22,660)	21,538
LICENSES AND PERMITS	1	35	35	-	1
SCHOOL PROMOTIONS	400	-	-	-	400
INTEREST	-	530	83	(447)	-
TOTALS	<u>\$ 219,359</u>	<u>240,688</u>	<u>285,643</u>	<u>-</u>	<u>174,404</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RAY MILLER MEMORIAL	\$ 1,776	7	-	1,783
ELGIN MEMORIAL	7,040	35	-	7,075
CLYDENE HINDLEY MEMORIAL	3	-	-	3
DAVE RETTER MEMORIAL	-	100	-	100
RUGGLES MATH AND SCIENCE CENTER	67,655	261	18,204	49,712
CLYDE AND VIRGINIA CARNEY MEMORIAL	16,035	6,645	12,858	9,822
GEORGE AND SHEILA STARCEVICH MEMORIAL	157	-	-	157
KRYSTAL HOWE MEMORIAL	1,076	3	-	1,079
TOM W. KING MEMORIAL	182,864	658	-	183,522
BENJAMIN BEAN MEMORIAL	510	63	-	573
IOWA STUDENT LOAN	1,005	502	-	1,507
DAN DAVIS MEMORIAL	1,378	3	-	1,381
EMILY STEPHENS MEMORIAL	1,002	3	1,005	-
TOTALS	<u>\$ 280,501</u>	<u>8,280</u>	<u>32,067</u>	<u>256,714</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RUBBERMAID SCHOLARSHIP	\$ 395	2	250	147
ORVILLE BUTLER	2,032	6	-	2,038
CLASS OF 1949	23,346	588	500	23,434
DON WHISLER MEMORIAL SCHOLARSHIP	3,027	17	1,000	2,044
KENNETH ELGIN SCHOLARSHIP	123,539	472	3,000	121,011
MILTON STOUT SCHOLARSHIP	1,605	5	300	1,310
FCCLA SCHOLARSHIP	19	-	-	19
ROBERT HARL MEMORIAL SCHOLARSHIP	131	-	-	131
HARRY L DUKES MEMORIAL	17	-	-	17
CLASS OF 1958	950	3	-	953
GOWER-VOXMAN SCHOLARSHIP	2,604	9	-	2,613
DR. F.B. LEFFERT SCHOLARSHIP	26,385	111	400	26,096
VIDAS SCHOLARSHIP	1,093	3	-	1,096
COLLEEN COOK SCHOLARSHIP	71,009	263	800	70,472
GERALD FOSTER MEORIAL	18,432	65	500	17,997
DANA MIRITZ SCHOLARSHIP	25,541	1,595	500	26,636
CLYDE AND VIRGINIA CARNEY MEMORIAL	48,596	11,505	1,000	59,101
IA STUDENT LOAN SCHOLARSHIP	1,005	503	500	1,008
JOE AND SHIRLEY CARDANI MEMORIAL SCHOLARSHIP	5,764	18	3,000	2,782
TOTALS	<u>\$ 355,490</u>	<u>15,165</u>	<u>11,750</u>	<u>358,905</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,805,910	4,662,689	5,798,838	5,609,205	5,002,237	4,859,312	5,008,198	5,028,774	4,782,673	4,707,887
Tuition	375,785	400,970	434,527	364,732	401,054	341,991	375,371	387,318	388,623	431,633
Other	586,404	689,889	628,521	685,819	990,739	700,059	813,063	819,125	1,004,363	739,564
Intermediate sources	-	-	-	94,062	101,700	94,633	103,956	-	-	-
State sources	10,888,944	10,231,278	9,025,531	9,044,417	9,193,999	8,543,778	9,374,751	8,764,929	8,301,430	7,929,782
Federal sources	921,573	786,162	801,612	974,925	1,491,416	1,753,662	846,605	745,151	859,871	1,032,745
Total	\$ 17,578,616	16,770,988	16,689,029	16,773,160	17,181,145	16,293,435	16,521,944	15,745,297	15,336,960	14,841,611
Expenditures:										
Instruction:										
Regular	\$ 6,321,625	6,293,775	5,753,853	5,857,885	5,866,268	5,931,468	6,045,534	5,468,317	5,650,425	5,489,650
Special	1,812,683	1,742,643	1,759,689	1,709,296	1,975,683	1,974,553	2,125,759	2,155,219	2,595,201	2,473,743
Other	2,140,355	2,172,778	1,981,171	2,283,850	2,204,980	2,261,720	1,841,721	1,873,705	860,778	890,882
Support services:										
Student	517,879	502,980	480,343	490,406	463,773	469,265	464,385	379,594	366,232	379,001
Instructional staff	278,190	304,636	392,267	435,107	418,747	381,824	334,034	325,223	269,539	419,460
Administration	1,580,385	1,566,275	1,513,945	1,547,639	1,608,369	1,492,324	1,594,030	1,493,600	1,497,455	1,283,478
Operation and maintenance of plant	1,057,513	1,055,988	1,003,192	1,032,294	1,255,623	1,251,321	1,344,067	1,460,401	1,492,753	1,316,773
Transportation	516,845	504,702	505,404	494,981	683,717	693,726	645,995	580,598	582,836	546,251
Non-instructional programs	-	-	-	-	-	-	-	-	-	13,834
Capital outlay	816,625	677,896	109,838	425,185	507,250	522,960	146,342	858,845	2,336,795	1,034,504
Long-term debt:										
Principal	300,000	1,095,000	1,730,000	502,585	1,103,956	774,353	772,414	699,283	596,595	418,668
Interest and other charges	4,895	45,043	85,911	110,783	152,990	185,984	199,292	244,297	250,448	229,088
Other expenditures:										
AEA flow-through	559,161	552,043	532,868	535,013	601,275	598,651	529,695	507,613	492,942	465,155
Total	\$ 15,906,156	16,513,759	15,848,481	15,425,024	16,842,631	16,538,149	16,043,268	16,046,695	16,991,999	14,960,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 76,933
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	<u>324,450 *</u>
			<u>401,383</u>
 CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	 10.579	 FY 15	 <u>34,243</u>
 U.S. DEPARTMENT OF DEFENSE:			
APPANOOSE COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 15	<u>2,213</u>
 U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>376,873</u>
 FUND FOR THE IMPROVEMENT OF EDUCATION	 84.215	 FY 15	 <u>2,816</u>
 RURAL EDUCATION	 84.358	 FY 15	 <u>25,326</u>
 IMPROVING TEACHER QUALITY STATE GRANTS	 84.367	 FY 15	 <u>89,969</u>
 GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	 84.369	 FY 15	 <u>6,690</u>
 GREAT PRAIRIE AREA EDUCATION AGENCY:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>20,817</u>
 SPECIAL EDUCATION - GRANTS TO STATES	 84.027	 FY 15	 <u>65,617</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF EDUCATION:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	93.938	FY15	<u>700</u>
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA STATE UNIVERSITY:			
AMERICORPS - RECOVERY	94.006	FY 15	<u>1,744</u>
 TOTAL			 <u>\$ 1,028,391</u>

* - Includes \$34,097 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Centerville Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on 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 financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Centerville Community School District as of and for the year ended June 30, 2015 and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centerville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Centerville Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2016
Newton, Iowa

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

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

To the Board of Education of Centerville Community School District:

Report on Compliance for Each Major Federal Program

We have audited Centerville Community School District's 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 each of Centerville Community School District's major federal programs for the year ended June 30, 2015. Centerville Community School District's major federal programs are 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 each of Centerville Community School District's major federal programs 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 non-compliance 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 Centerville Community School District'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 each major federal program. However, our audit does not provide a legal determination of Centerville Community School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The management of Centerville Community School District 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 Centerville Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Centerville Community School District'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 deficiencies in internal control over compliance we consider to be a material weakness and 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 a 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.

Centerville Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Centerville Community School District'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.



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2016
Newton, Iowa

CENTERVILLE COMMUNITY SCHOOL DISTRICT
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.
- (b) A material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness and significant deficiency in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:**
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual Program:**
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Centerville Community School District did not qualify as a low-risk auditee.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - Bank reconciliations.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.
- 3) School lunch program - collecting and depositing.

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

Response - The District will attempt with advice from its auditors to segregate duties as much as reasonably possible.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-15 Inactive Student Activity Accounts - We noted several accounts within the student activity fund which do not appear to be active accounts. These include the K-3 Vocal Music, K-3 General, Lincoln pop, Lakeview Pop, Americorps, Appanose County Alternative High School, Preschool Building Activity, High School Science Club, Office Education, Student Iowegian, Spanish Club, Mat Club-Wrestling, Class of 2011, Class of 2012, Class of 2013 and School Promotion accounts. Each of these accounts has not been used in the prior three fiscal years but each is still carrying a balance at year end.

Recommendation - The inactive accounts should be reviewed by the District. If the District determines that these accounts are inactive and no longer in use by the District the District should determine where to reallocate the remaining balances to other accounts within the Student Activity Fund with the approval of the Board of Education.

Response - The District has accepted the recommendation and will transfer per board approval the remaining balances of inactive accounts.

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-15 (2015-001) Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - Bank reconciliations.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.
- 3) School lunch program - collecting and depositing.

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

Response and Corrective Action Plan - The District will attempt with advice from its auditors to segregate duties as much as reasonably possible.

Conclusion - Response accepted.

III-B-15 (2015-002) Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger, thus creating a carryover allocation of \$7,440 which was booked as accounts payable by the client.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget. The District should contact the Iowa Department of Education to develop a workout plan for the amount of Title I claimed in excess of actual expenses.

Response and Corrective Action Plan - The District has contacted the Department of Education and a workout plan will be in place for the 2015-16 school year.

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 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 - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.

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

IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Traci Valentine, Teacher Owns Valentine Music Productions	DJ Services	\$ 1,450

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the District employee do not appear to represent a conflict of interest.

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

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

IV-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education and we noted no significant deficiencies in amounts reported.

IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowableness of the statewide sales, services and use tax revenue provided in of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 2,435,281
Statewide sales, services and use tax	\$ 1,444,284	
Other local	<u>12,689</u>	<u>1,456,973</u>
		3,892,254
Expenditures:		
School infrastructure construction		<u>101,869</u>
Ending balance		<u><u>\$ 3,790,385</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M -15 Financial Condition - The District had deficit unrestricted net position of \$172,487 and a deficit total net position of \$114,304 in the Enterprise, School Nutrition Fund and deficit unrestricted net position in the District's Governmental Activities of \$4,534,938 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

The District also had a deficit fund balance in the Capital Projects: Physical Plant and Equipment Levy Fund of \$222,404 at June 30, 2015.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward. The District should also monitor the Capital Projects; Physical Plant and Equipment Levy Fund and investigate alternatives to eliminate the deficit balance.

Response - Due to changes with addition of GASB Statements No. 68 and No. 71 for pensions, a major liability has been added to the District's financial statements. This liability is not allowed to be funded by the District. The District will continue to review the information regarding GASB Statements No. 68 and No. 71.

Conclusion - Response accepted.