

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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**Center Point-Urbana Community School District**

**Officials**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

**(Before September 2015 Election)**

|                   |                |      |
|-------------------|----------------|------|
| Scott Millikin    | President      | 2015 |
| Matt Wade         | Vice President | 2015 |
| Dan Jones         | Board Member   | 2015 |
| Brent Schlotfeldt | Board Member   | 2017 |
| Joshua Katcher    | Board Member   | 2017 |

**(After September 2015 Election)**

|                   |                |      |
|-------------------|----------------|------|
| Matt Wade         | President      | 2019 |
| Scott Millikin    | Vice President | 2019 |
| Brent Schlotfeldt | Board Member   | 2017 |
| Joshua Katcher    | Board Member   | 2017 |
| Teresa Davis      | Board Member   | 2019 |

**School Officials**

|                       |                                  |      |
|-----------------------|----------------------------------|------|
| Alan Marshall         | Superintendent                   | 2016 |
| Kristy Bruce          | District Secretary/<br>Treasurer | 2016 |
| Lynch Dallas Law Firm | Attorney                         | 2016 |

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Center Point-Urbana 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 Center Point-Urbana Community School District, Center Point, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **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 and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 48 through 53 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 Center Point-Urbana 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 nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 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 13, 2017 on our consideration of Center Point-Urbana 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 Center Point-Urbana Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 13, 2017  
Newton, Iowa

Center Point - Urbana Community School District

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Center Point-Urbana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,919,973 in fiscal year 2015 to \$14,944,069 in fiscal year 2016, while General Fund expenditures increased from \$14,574,501 in fiscal 2015 to \$15,211,978 in fiscal 2016. This resulted in the District's General Fund balance decreasing from \$1,535,984 at June 30, 2015 to \$1,268,075 at June 30, 2016, a 17.44% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in other local and state source revenues over the prior year while the increase in General Fund expenditures is primarily due to an increase in negotiated salaries and benefits.

### 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 Center Point-Urbana Community School District as a whole and present an overall view of the District's finances.

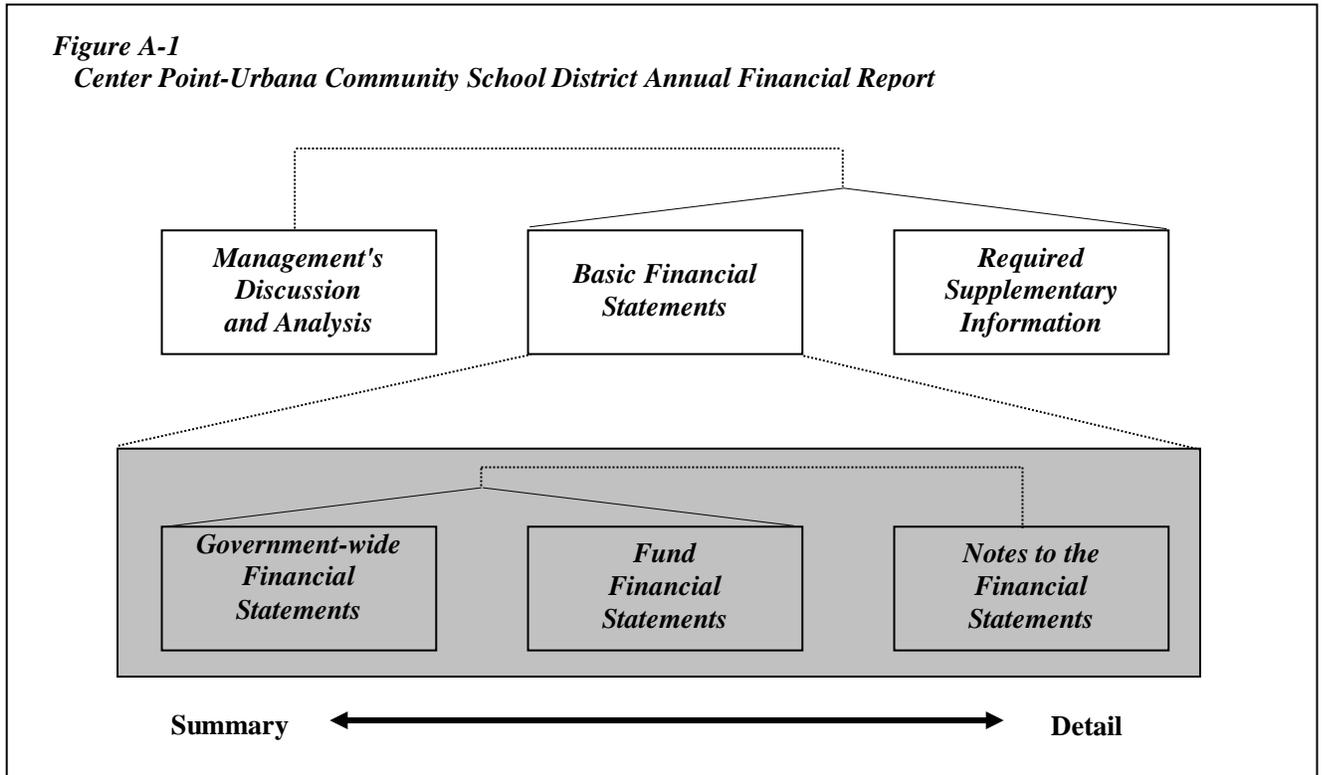
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Center Point-Urbana Community School District's operations in more detail than the government-wide statements by providing information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

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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



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

| <b>Figure A-2</b>  |  |  |  |   |
|--|--|--|--|---|
| <b>Major Features of the Government-Wide and Fund Financial Statements</b> |  |  |  |   |
|  | 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul> |
| Accounting basis and measurement focus                                     | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information  | All assets and liabilities, both financial and capital, short-term and long-term                                 | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                       |
| Type of deferred outflow / inflow information                              | Consumption/acquisition of net position that is applicable to a future reporting period                          | Consumption/ acquisition of fund balance that is applicable to a future reporting period   | Consumption/ acquisition of net position that is applicable to a future reporting period   | Consumption/ acquisition of net position that is applicable to a future reporting period.   |
| Type of inflow/ outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows 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.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

The District's Internal Service Fund, one type of proprietary fund, is the same as its governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund account accounting for self-funded insurance.

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

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

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a 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 total net position at June 30, 2016 compared to June 30, 2015.

Figure A-3  
Condensed Statement of Net Position

|                                  | Governmental  |             | Business Type |           | Total       |             | Total    |
|----------------------------------|---------------|-------------|---------------|-----------|-------------|-------------|----------|
|                                  | Activities    |             | Activities    |           | District    |             | Change   |
|                                  | June 30,      |             | June 30,      |           | June 30,    |             | June 30, |
|                                  | 2016          | 2015        | 2016          | 2015      | 2016        | 2015        | 2015-16  |
| Current and other assets         | \$ 14,139,467 | 18,740,959  | 35,120        | 21,346    | 14,174,587  | 18,762,305  | -24.45%  |
| Capital assets                   | 30,963,036    | 24,615,946  | 150,973       | 152,623   | 31,114,009  | 24,768,569  | 25.62%   |
| Total assets                     | 45,102,503    | 43,356,905  | 186,093       | 173,969   | 45,288,596  | 43,530,874  | 4.04%    |
| Deferred outflows of resources   | 1,240,143     | 1,152,421   | 38,731        | 38,687    | 1,278,874   | 1,191,108   | 7.37%    |
| Long-term liabilities            | 33,514,829    | 31,434,682  | 235,478       | 196,971   | 33,750,307  | 31,631,653  | 6.70%    |
| Other liabilities                | 3,421,084     | 3,045,317   | 138,901       | 179,072   | 3,559,985   | 3,224,389   | 10.41%   |
| Total liabilities                | 36,935,913    | 34,479,999  | 374,379       | 376,043   | 37,310,292  | 34,856,042  | 7.04%    |
| Deferred inflows of resources    | 5,321,257     | 6,601,726   | 21,409        | 67,671    | 5,342,666   | 6,669,397   | -19.89%  |
| Net position:                    |               |             |               |           |             |             |          |
| Net investment in capital assets | 5,085,476     | 4,511,544   | 150,973       | 152,623   | 5,236,449   | 4,664,167   | 12.27%   |
| Restricted                       | 3,538,513     | 3,396,969   | -             | -         | 3,538,513   | 3,396,969   | 4.17%    |
| Unrestricted                     | (4,538,513)   | (4,480,912) | (321,937)     | (383,681) | (4,860,450) | (4,864,593) | 0.09%    |
| Total net position               | \$ 4,085,476  | 3,427,601   | (170,964)     | (231,058) | 3,914,512   | 3,196,543   | 22.46%   |

The District's total net position increased by 22.46%, or \$717,969, compared to the prior year. A portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$141,544 or 4.17% from the prior year. The increase in restricted net position is primarily attributable to the increase in fund balance for the Debt Service Fund.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$4,143 or 0.09%.

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

Figure A-4  
Changes in Net Position

|   | Governmental Activities |            | Business Type Activities |           | Total District |            | Total Change |
|---|-------------------------|------------|--------------------------|-----------|----------------|------------|--------------|
|   | 2016                    | 2015       | 2016                     | 2015      | 2016           | 2015       | 2015-16      |
| Revenues:   |                         |            |                          |           |                |            |              |
| Program revenues:   |                         |            |                          |           |                |            |              |
| Charges for service                                       | \$ 2,446,485            | 2,219,219  | 524,727                  | 548,469   | 2,971,212      | 2,767,688  | 7.35%        |
| Operating grants and contributions and restricted revenue | 1,234,837               | 1,115,455  | 233,638                  | 222,875   | 1,468,475      | 1,338,330  | 9.72%        |
| General revenues:   |                         |            |                          |           |                |            |              |
| Property tax  | 4,677,274               | 4,566,750  | -                        | -         | 4,677,274      | 4,566,750  | 2.42%        |
| Income surtax   | 549,789                 | 520,337    | -                        | -         | 549,789        | 520,337    | 5.66%        |
| Statewide sales, services and use tax                     | 1,257,950               | 1,244,364  | -                        | -         | 1,257,950      | 1,244,364  | 1.09%        |
| Unrestricted state grants                                 | 8,192,477               | 7,604,441  | -                        | -         | 8,192,477      | 7,604,441  | 7.73%        |
| Unrestricted interest income                              | 77,232                  | 56,168     | 35                       | 45        | 77,267         | 56,213     | 37.45%       |
| Other   | 131,521                 | 109,921    | 15,268                   | 2,277     | 146,789        | 112,198    | 30.83%       |
| Total revenues  | 18,567,565              | 17,436,655 | 773,668                  | 773,666   | 19,341,233     | 18,210,321 | 6.21%        |
| Program expenses:   |                         |            |                          |           |                |            |              |
| Instructional   | 10,616,202              | 10,256,923 | -                        | -         | 10,616,202     | 10,256,923 | 3.50%        |
| Support services  | 5,119,503               | 4,402,799  | 18,773                   | 20,276    | 5,138,276      | 4,423,075  | 16.17%       |
| Non-instructional programs                                | -                       | -          | 694,801                  | 738,693   | 694,801        | 738,693    | -5.94%       |
| Other expenses  | 2,173,985               | 2,012,513  | -                        | -         | 2,173,985      | 2,012,513  | 8.02%        |
| Total expenses  | 17,909,690              | 16,672,235 | 713,574                  | 758,969   | 18,623,264     | 17,431,204 | 6.84%        |
| Change in net position                                    | 657,875                 | 764,420    | 60,094                   | 14,697    | 717,969        | 779,117    | -7.85%       |
| Net position beginning of year                            | 3,427,601               | 2,663,181  | (231,058)                | (245,755) | 3,196,543      | 2,417,426  | 32.23%       |
| Net position end of year                                  | \$ 4,085,476            | 3,427,601  | (170,964)                | (231,058) | 3,914,512      | 3,196,543  | 22.46%       |

In fiscal year 2016, property tax, statewide sales, services and use tax and unrestricted state grants account for 76.09% of the revenue from governmental activities while charges for service and sales, operating grants and contributions account for 89.02% of the revenue from business type activities.

The District's total revenues were \$19,341,233 of which \$18,567,565 was for governmental activities and \$773,668 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.21% increase in revenues and a 6.84% increase in expenses. The primary reason for an increase in revenue was an increase unrestricted state grant revenue which increased by \$588,036 from the prior year. The increase in expenses is related to the increase in support services expenditures primarily due to increased negotiated salaries and benefits.

## Governmental Activities

Revenues for governmental activities were \$18,567,565 and expenses were \$17,909,690 for the year ended June 30, 2016.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-5  
Total and Net Cost of Governmental Activities

|                            | Total Cost of Services |            |                   | Net Cost of Services |            |                   |
|----------------------------|------------------------|------------|-------------------|----------------------|------------|-------------------|
|                            | 2016                   | 2015       | Change<br>2015-16 | 2016                 | 2015       | Change<br>2015-16 |
| Instruction                | \$ 10,616,202          | 10,256,923 | 3.50%             | 7,493,553            | 7,468,932  | 0.33%             |
| Support services           | 5,119,503              | 4,402,799  | 16.28%            | 5,107,091            | 4,390,831  | 16.31%            |
| Non-instructional programs | -                      | -          | 0.00%             | -                    | -          | 0.00%             |
| Other expenses             | 2,173,985              | 2,012,513  | 8.02%             | 1,627,724            | 1,477,798  | 10.15%            |
| Totals                     | \$ 17,909,690          | 16,672,235 | 7.42%             | 14,228,368           | 13,337,561 | 6.68%             |

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$2,446,485.
- Federal and state governments along with local contributions subsidized certain programs with grants and contributions totaling \$1,234,837.
- The net cost of governmental activities was financed with \$4,677,274 in property tax, \$549,789 in income surtax, \$1,257,950 in statewide sales, services and use tax, \$8,192,477 in unrestricted state grants, \$77,232 in interest income and \$131,521 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2016, were \$773,668, an insignificant increase from the prior year, while expenses totaled \$713,574, a 5.98% 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 Center Point-Urbana 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 \$5,426,702, below last year's ending fund balances of \$10,581,560. The primary reason for the decrease in combined fund balances in fiscal year 2016 is due to due continued capital outlay expenditures on District construction projects.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The increase in total revenues is primarily due to an increase in state revenues received over the prior year while the increase in expenditures is primarily due to an increase in negotiated salaries and benefits. The increase in

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revenues was not enough to offset the increase in expenditures; the net result was a decrease in fund balance from \$1,535,984 at June 30, 2015 to \$1,268,075 at June 30, 2016.

- The Capital Projects Fund balance decreased from \$6,897,864 at June 30, 2015 to \$1,677,218 at June 30, 2016. The decrease in the Capital Projects Fund balance was due an increase in capital outlay expenditures spent on District construction projects during the year.
- The Debt Service Fund balance increased from \$1,862,604 at June 30, 2015, to \$2,145,139 at June 30, 2016. The increase in Debt Service Fund balance was primarily due to an increase the sinking fund of for the District's qualified school construction bonds.

### **Proprietary Fund Highlights**

- The Enterprise, School Nutrition Fund net position increased from a deficit net position of \$231,058 at June 30, 2015 to a deficit net position of \$170,964 at June 30, 2016, representing an increase of \$60,094 or 26.01%. The primary reason for the increase in net position was the decrease in expenses.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$516,232 more than budgeted revenues, a variance of 2.75%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

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

#### **Capital Assets**

At June 30, 2016, the District had invested \$31,114,009 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 25.62% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,002,881.

The original cost of the District's capital assets was \$46,960,743. Governmental funds account for \$46,642,151 with the remainder of \$318,592 in the Enterprise, School Nutrition Fund. The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,183,918 at June 30, 2015, compared to \$4,889,163 at June 30, 2016. The reason for the increase in total construction in progress is due to the District beginning construction of renovation projects at the middle school and intermediate school 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, |
|                          | 2016          | 2015       | 2016          | 2015    | 2016       | 2015       | 2015-16  |
| Land                     | \$ 519,028    | 519,028    | -             | -       | 519,028    | 519,028    | 0.00%    |
| Construction in progress | 4,889,163     | 2,183,919  | -             | -       | 4,889,163  | 2,183,919  | 123.87%  |
| Buildings                | 24,253,638    | 20,639,545 | -             | -       | 24,253,638 | 20,639,545 | 17.51%   |
| Land improvements        | 495,249       | 453,493    | -             | -       | 495,249    | 453,493    | 9.21%    |
| Machinery and equipment  | 805,958       | 819,961    | 150,973       | 152,623 | 956,931    | 972,584    | -1.61%   |
| Total                    | \$ 30,963,036 | 24,615,946 | 150,973       | 152,623 | 31,114,009 | 24,768,569 | 25.62%   |

### Long-Term Debt

At June 30, 2016, the District had \$33,750,307 in general obligation bonds, revenue bonds and other long term debt outstanding. This represents an increase of 6.70% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had an outstanding balance of \$13,810,000 in general obligation bonds at June 30, 2016, payable from the Debt Service Fund.

The District had an outstanding balance of \$6,220,000 in revenue bonds payable at June 30, 2016, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had an outstanding balance of \$3,700,000 in qualified school construction bonds payable at June 30, 2016, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had an outstanding balance of \$1,650,000 in revenue BANs payable at June 30, 2016, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had an outstanding balance of \$965,000 in a capital loan notes at June 30, 2016 payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District has an outstanding balance of \$66,469 for two bus leases at June 30, 2016 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had an outstanding balance of \$33,786 for a bus loan payable at June 30, 2016 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

At June 30, 2016, the District had termination benefits outstanding of \$163,466 payable from Management Levy Fund.

At June 30, 2016, the District had an outstanding total compensated absences balance of \$140,395. \$130,464 is payable from the General Fund and \$9,931 is payable from the Enterprise, School Nutrition Fund.

At June 30, 2016, the District had a net pension liability of \$6,505,353. \$6,287,491 of this total is attributed to the District's governmental activities while the remaining \$217,862 is attributable to the District's business type activities.

At June 30, 2016, the District had outstanding other postemployment benefits of \$495,838. \$488,153 of this total is attributed to the District's governmental activities while the remaining \$7,685 is attributable to the District's business type activities.

Figure A-7  
Outstanding Long-Term Obligations

|                                     | Governmental Activities |            | Business Type Activities |         | Total District |            | Total Change |
|-------------------------------------|-------------------------|------------|--------------------------|---------|----------------|------------|--------------|
|                                     | June 30,                |            | June 30,                 |         | June 30,       |            | June 30,     |
|                                     | 2016                    | 2015       | 2016                     | 2015    | 2016           | 2015       | 2015-16      |
| General obligation bonds            | \$ 13,810,000           | 12,695,000 | -                        | -       | 13,810,000     | 12,695,000 | 8.78%        |
| Revenue bonds                       | 6,220,000               | 6,415,000  | -                        | -       | 6,220,000      | 6,415,000  | -3.04%       |
| Qualified school construction bonds | 3,700,000               | 3,700,000  | -                        | -       | 3,700,000      | 3,700,000  | 0.00%        |
| Revenue BANs                        | 1,650,000               | 1,650,000  | -                        | -       | 1,650,000      | 1,650,000  | 0.00%        |
| Capital loan note                   | 965,000                 | 1,085,000  | -                        | -       | 965,000        | 1,085,000  | -11.06%      |
| Bus lease                           | 66,469                  | 131,115    | -                        | -       | 66,469         | 131,115    | -49.30%      |
| Bus loan                            | 33,786                  | 100,110    | -                        | -       | 33,786         | 100,110    | -66.25%      |
| Termination benefits                | 163,466                 | 46,999     | -                        | -       | 163,466        | 46,999     | 247.81%      |
| Compensated absences                | 130,464                 | 136,737    | 9,931                    | 8,946   | 140,395        | 145,683    | -3.63%       |
| Net pension liability               | 6,287,491               | 5,056,801  | 217,862                  | 177,441 | 6,505,353      | 5,234,242  | 24.28%       |
| Net OPEB liability                  | 488,153                 | 417,920    | 7,685                    | 10,584  | 495,838        | 428,504    | 15.71%       |
| Total                               | \$ 33,514,829           | 31,434,682 | 235,478                  | 196,971 | 33,750,307     | 31,631,653 | 6.70%        |

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District believes it will continue to benefit from a large open enrollment balance. The District also expects to see an increase in the next year as a smaller class graduates and is anticipated to be replaced by a larger Kindergarten class.
- The City of Center Point is also experiencing growth with the addition of several retail facilities. The City of Urbana enjoys the benefits of 2 thriving industrial parks.
- The District continues to experience uncertainty as state supplemental aid has not been set in a timely matter by the Iowa legislature.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christie VanWey, District Secretary/Treasurer, Center Point-Urbana Community School District, 102 Trader Street, Center Point, Iowa, 52213

BASIC FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

|   | Governmental<br>Activities | Business Type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                                   |                            |                             |                   |
| Cash and pooled investments                     | \$ 8,037,615               | 13,917                      | 8,051,532         |
| Receivables:                                    |                            |                             |                   |
| Property tax:                                   |                            |                             |                   |
| Delinquent                                      | 33,212                     | -                           | 33,212            |
| Succeeding year                                 | 4,801,251                  | -                           | 4,801,251         |
| Income surtax                                   | 494,026                    | -                           | 494,026           |
| Accounts  | 20,780                     | 793                         | 21,573            |
| Due from other funds                            | 75,835                     | -                           | 75,835            |
| Due from other governments                      | 676,748                    | -                           | 676,748           |
| Inventories                                     | -                          | 20,410                      | 20,410            |
| Capital assets, net of accumulated depreciation | 30,963,036                 | 150,973                     | 31,114,009        |
| <b>TOTAL ASSETS</b>                             | <b>45,102,503</b>          | <b>186,093</b>              | <b>45,288,596</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                            |                             |                   |
| Pension related deferred outflows               | 1,240,143                  | 38,731                      | 1,278,874         |
| <b>LIABILITIES</b>                              |                            |                             |                   |
| Due to other funds                              | -                          | 75,835                      | 75,835            |
| Accounts payable                                | 1,395,038                  | 14                          | 1,395,052         |
| Salaries and benefits payable                   | 1,750,366                  | 48,063                      | 1,798,429         |
| Accrued interest payable                        | 275,680                    | -                           | 275,680           |
| Unearned revenue                                | -                          | 14,989                      | 14,989            |
| Long-term liabilities:                          |                            |                             |                   |
| Portion due within one year:                    |                            |                             |                   |
| General obligation bonds payable                | 590,000                    | -                           | 590,000           |
| Revenue bonds payable                           | 200,000                    | -                           | 200,000           |
| Revenue BANs payable                            | 1,650,000                  | -                           | 1,650,000         |
| Capital loan note payable                       | 130,000                    | -                           | 130,000           |
| Bus lease payable                               | 66,469                     | -                           | 66,469            |
| Bus loan payable                                | 33,786                     | -                           | 33,786            |
| Termination benefits payable                    | 65,066                     | -                           | 65,066            |
| Compensated absences payable                    | 130,464                    | 9,931                       | 140,395           |
| Portion due after one year:                     |                            |                             |                   |
| General obligation bonds payable                | 13,220,000                 | -                           | 13,220,000        |
| Revenue bonds payable                           | 6,020,000                  | -                           | 6,020,000         |
| Qualified school construction bonds payable     | 3,700,000                  | -                           | 3,700,000         |
| Capital loan note payable                       | 835,000                    | -                           | 835,000           |
| Termination benefits payable                    | 98,400                     | -                           | 98,400            |
| Net pension liability                           | 6,287,491                  | 217,862                     | 6,505,353         |
| Net OPEB liability                              | 488,153                    | 7,685                       | 495,838           |
| <b>TOTAL LIABILITIES</b>                        | <b>36,935,913</b>          | <b>374,379</b>              | <b>37,310,292</b> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                            |                             |                   |
| Succeeding year property tax                    | 4,801,251                  | -                           | 4,801,251         |
| Pension related deferred inflows                | 520,006                    | 21,409                      | 541,415           |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>      | <b>5,321,257</b>           | <b>21,409</b>               | <b>5,342,666</b>  |
| <b>NET POSITION</b>                             |                            |                             |                   |
| Net investment in capital assets                | 5,085,476                  | 150,973                     | 5,236,449         |
| Restricted for:                                 |                            |                             |                   |
| Categorical funding                             | 301,470                    | -                           | 301,470           |
| Debt service                                    | 2,609,264                  | -                           | 2,609,264         |
| Student activities                              | 258,061                    | -                           | 258,061           |
| School infrastructure                           | 356,942                    | -                           | 356,942           |
| Physical plant and equipment levy               | 12,776                     | -                           | 12,776            |
| Unrestricted                                    | (4,538,513)                | (321,937)                   | (4,860,450)       |
| <b>TOTAL NET POSITION</b>                       | <b>\$ 4,085,476</b>        | <b>(170,964)</b>            | <b>3,914,512</b>  |

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

|                                       | Program Revenues     |                           |  | Net (Expense) Revenue<br>and Changes in Net Position |                                |                     |
|---------------------------------------|----------------------|---------------------------|--|--|--------------------------------|---------------------|
|                                       | Expenses             | Charges<br>for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Govern-<br>mental<br>Activities                      | Business<br>Type<br>Activities | Total               |
| <b>Functions/Programs:</b>            |                      |                           |  |  |                                |                     |
| Governmental activities:              |                      |                           |  |  |                                |                     |
| Instruction:                          |                      |                           |  |  |                                |                     |
| Regular                               | \$ 6,797,913         | 1,234,144                 | 45,251   | (5,518,518)  | -                              | (5,518,518)         |
| Special                               | 1,813,693            | 465,992                   | 201,125  | (1,146,576)  | -                              | (1,146,576)         |
| Other                                 | 2,004,596            | 746,349                   | 429,788  | (828,459)  | -                              | (828,459)           |
|                                       | <u>10,616,202</u>    | <u>2,446,485</u>          | <u>676,164</u>   | <u>(7,493,553)</u>                                   | <u>-</u>                       | <u>(7,493,553)</u>  |
| Support services:                     |                      |                           |  |  |                                |                     |
| Student                               | 411,028              | -                         | -  | (411,028)  | -                              | (411,028)           |
| Instructional staff                   | 897,770              | -                         | 8,787  | (888,983)  | -                              | (888,983)           |
| Administration                        | 1,826,994            | -                         | -  | (1,826,994)  | -                              | (1,826,994)         |
| Operation and maintenance of plant    | 1,323,560            | -                         | -  | (1,323,560)  | -                              | (1,323,560)         |
| Transportation                        | 660,151              | -                         | 3,625  | (656,526)  | -                              | (656,526)           |
|                                       | <u>5,119,503</u>     | <u>-</u>                  | <u>12,412</u>  | <u>(5,107,091)</u>                                   | <u>-</u>                       | <u>(5,107,091)</u>  |
| Long-term debt interest               | 880,300              | -                         | -  | (880,300)  | -                              | (880,300)           |
| Other expenditures:                   |                      |                           |  |  |                                |                     |
| AEA flowthrough                       | 546,261              | -                         | 546,261  | -  | -                              | -                   |
| Depreciation(unallocated)*            | 747,424              | -                         | -  | (747,424)  | -                              | (747,424)           |
|                                       | <u>1,293,685</u>     | <u>-</u>                  | <u>546,261</u>   | <u>(747,424)</u>                                     | <u>-</u>                       | <u>(747,424)</u>    |
| Total governmental activities         | <u>17,909,690</u>    | <u>2,446,485</u>          | <u>1,234,837</u>   | <u>(14,228,368)</u>                                  | <u>-</u>                       | <u>(14,228,368)</u> |
| Business type activities:             |                      |                           |  |  |                                |                     |
| Support services:                     |                      |                           |  |  |                                |                     |
| Administration                        | 12,297               | -                         | -  | -  | (12,297)                       | (12,297)            |
| Operation and maintenance of plant    | 6,476                | -                         | -  | -  | (6,476)                        | (6,476)             |
| Non-instructional programs:           |                      |                           |  |  |                                |                     |
| Food service operations               | 694,801              | 524,727                   | 233,638  | -  | 63,564                         | 63,564              |
| Total business type activities        | <u>713,574</u>       | <u>524,727</u>            | <u>233,638</u>   | <u>-</u>   | <u>44,791</u>                  | <u>44,791</u>       |
| Total                                 | \$ <u>18,623,264</u> | <u>2,971,212</u>          | <u>1,468,475</u>   | <u>(14,228,368)</u>                                  | <u>44,791</u>                  | <u>(14,183,577)</u> |
| <b>General Revenues:</b>              |                      |                           |  |  |                                |                     |
| Property tax levied for:              |                      |                           |  |  |                                |                     |
| General purposes                      |                      |                           |  | \$ 3,287,077   | -                              | 3,287,077           |
| Debt service                          |                      |                           |  | 1,114,900  | -                              | 1,114,900           |
| Capital outlay                        |                      |                           |  | 275,297  | -                              | 275,297             |
| Income surtax                         |                      |                           |  | 549,789  | -                              | 549,789             |
| Statewide sales, services and use tax |                      |                           |  | 1,257,950  | -                              | 1,257,950           |
| Unrestricted state grants             |                      |                           |  | 8,192,477  | -                              | 8,192,477           |
| Unrestricted investment earnings      |                      |                           |  | 77,232   | 35                             | 77,267              |
| Insurance proceeds                    |                      |                           |  | -  | 15,000                         | 15,000              |
| Other                                 |                      |                           |  | 131,521  | 268                            | 131,789             |
| Total general revenues                |                      |                           |  | <u>14,886,243</u>                                    | <u>15,303</u>                  | <u>14,901,546</u>   |
| Change in net position                |                      |                           |  | 657,875  | 60,094                         | 717,969             |
| Net position beginning of year        |                      |                           |  | 3,427,601  | (231,058)                      | 3,196,543           |
| Net position end of year              |                      |                           |  | <u>\$ 4,085,476</u>                                  | <u>(170,964)</u>               | <u>3,914,512</u>    |

\* This amount excludes the depreciation that is included in the direct expense of various programs  
SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|   | General             | Capital<br>Projects | Debt<br>Service  | Nonmajor       | Total             |
|---|---------------------|---------------------|------------------|----------------|-------------------|
| <b>ASSETS</b>   |                     |                     |                  |                |                   |
| Cash and pooled investments   | \$ 2,650,245        | 2,616,615           | 2,137,263        | 345,564        | 7,749,687         |
| Receivables:  |                     |                     |                  |                |                   |
| Property tax:   |                     |                     |                  |                |                   |
| Delinquent  | 21,565              | 1,957               | 7,876            | 1,814          | 33,212            |
| Succeeding year   | 3,021,293           | 468,581             | 1,076,377        | 235,000        | 4,801,251         |
| Income surtax   | 494,026             | -                   | -                | -              | 494,026           |
| Accounts  | 16,260              | -                   | -                | 4,520          | 20,780            |
| Due from other funds  | 75,835              | -                   | -                | 322            | 76,157            |
| Due from other governments  | 470,248             | 206,500             | -                | -              | 676,748           |
| <b>TOTAL ASSETS</b>   | <b>\$ 6,749,472</b> | <b>3,293,653</b>    | <b>3,221,516</b> | <b>587,220</b> | <b>13,851,861</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                     |                     |                  |                |                   |
| Liabilities:  |                     |                     |                  |                |                   |
| Due to other funds  | \$ 322              | -                   | -                | -              | 322               |
| Accounts payable  | 216,009             | 1,147,854           | -                | 15,331         | 1,379,194         |
| Salaries and benefits payable   | 1,749,747           | -                   | -                | 619            | 1,750,366         |
| Total liabilities   | 1,966,078           | 1,147,854           | -                | 15,950         | 3,129,882         |
| Deferred inflows of resources:  |                     |                     |                  |                |                   |
| Unavailable revenues:   |                     |                     |                  |                |                   |
| Succeeding year property tax  | 3,021,293           | 468,581             | 1,076,377        | 235,000        | 4,801,251         |
| Income surtax   | 494,026             | -                   | -                | -              | 494,026           |
| Total deferred inflows of resources   | 3,515,319           | 468,581             | 1,076,377        | 235,000        | 5,295,277         |
| Fund balances:  |                     |                     |                  |                |                   |
| Restricted for:   |                     |                     |                  |                |                   |
| Categorical funding   | 301,470             | -                   | -                | -              | 301,470           |
| Debt service  | -                   | 739,805             | 2,145,139        | -              | 2,884,944         |
| Student activities  | -                   | -                   | -                | 258,061        | 258,061           |
| Management levy purposes  | -                   | -                   | -                | 78,209         | 78,209            |
| School infrastructure   | -                   | 924,637             | -                | -              | 924,637           |
| Physical plant and equipment levy   | -                   | 12,776              | -                | -              | 12,776            |
| Assigned for special purposes   | 69,397              | -                   | -                | -              | 69,397            |
| Unassigned  | 897,208             | -                   | -                | -              | 897,208           |
| Total fund balances   | 1,268,075           | 1,677,218           | 2,145,139        | 336,270        | 5,426,702         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <b>\$ 6,749,472</b> | <b>3,293,653</b>    | <b>3,221,516</b> | <b>587,220</b> | <b>13,851,861</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Total fund balances of governmental funds(page 20)** \$ 5,426,702

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

Capital assets used in governmental activities are not financial resources  
 and, therefore, are not reported as assets in in the governmental funds. 30,963,036

Accounts receivable income surtax is not available to pay current year  
 expenditures and, therefore, is recognized as deferred inflows of  
 resources in the governmental funds. 494,026

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 272,084

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. (275,680)

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 | \$ 1,240,143     |         |
| Deferred inflows of resources  | <u>(520,006)</u> | 720,137 |

Long-term liabilities, including bonds payable, revenue BANs payable,  
 capital loan note payable, bus lease payable, bus loan payable, termination  
 benefits payable, compensated absences payable, net pension liability, and other  
 postemployment benefits payable are not due in the current period and, therefore,  
 are not reported in the governmental funds. (33,514,829)

**Net position of governmental activities(page 18)** \$ 4,085,476

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

|  | General             | Capital<br>Projects | Debt<br>Service  | Nonmajor       | Total             |
|--|---------------------|---------------------|------------------|----------------|-------------------|
| <b>REVENUES:</b>   |                     |                     |                  |                |                   |
| Local sources:   |                     |                     |                  |                |                   |
| Local tax  | \$ 3,558,617        | 275,297             | 1,114,900        | 255,237        | 5,204,051         |
| Tuition  | 1,544,174           | -                   | -                | -              | 1,544,174         |
| Other  | 475,573             | 28,224              | 51,354           | 593,164        | 1,148,315         |
| State sources  | 9,076,653           | 1,262,022           | 16,492           | 3,794          | 10,358,961        |
| Federal sources  | 289,052             | -                   | -                | -              | 289,052           |
| <b>TOTAL REVENUES</b>                                      | <b>14,944,069</b>   | <b>1,565,543</b>    | <b>1,182,746</b> | <b>852,195</b> | <b>18,544,553</b> |
| <b>EXPENDITURES:</b>                                       |                     |                     |                  |                |                   |
| Current:   |                     |                     |                  |                |                   |
| Instruction:   |                     |                     |                  |                |                   |
| Regular  | 6,845,776           | -                   | -                | 32,333         | 6,878,109         |
| Special  | 1,845,039           | -                   | -                | -              | 1,845,039         |
| Other  | 1,508,455           | -                   | -                | 518,202        | 2,026,657         |
|  | <b>10,199,270</b>   | <b>-</b>            | <b>-</b>         | <b>550,535</b> | <b>10,749,805</b> |
| Support services:  |                     |                     |                  |                |                   |
| Student  | 434,591             | -                   | -                | -              | 434,591           |
| Instructional staff  | 890,394             | -                   | -                | -              | 890,394           |
| Administration   | 1,599,496           | 71,918              | -                | 134,230        | 1,805,644         |
| Operation and maintenance of plant                         | 1,041,380           | 13,326              | -                | 98,857         | 1,153,563         |
| Transportation   | 500,586             | 120,412             | -                | 17,411         | 638,409           |
|  | <b>4,466,447</b>    | <b>205,656</b>      | <b>-</b>         | <b>250,498</b> | <b>4,922,601</b>  |
| Capital outlay   | -                   | 7,275,168           | -                | -              | 7,275,168         |
| Long-term debt:  |                     |                     |                  |                |                   |
| Principal  | -                   | -                   | 1,130,970        | -              | 1,130,970         |
| Interest and fiscal charges                                | -                   | -                   | 875,410          | -              | 875,410           |
|  | <b>-</b>            | <b>-</b>            | <b>2,006,380</b> | <b>-</b>       | <b>2,006,380</b>  |
| Other expenditures:  |                     |                     |                  |                |                   |
| AEA flowthrough  | 546,261             | -                   | -                | -              | 546,261           |
| <b>TOTAL EXPENDITURES</b>                                  | <b>15,211,978</b>   | <b>7,480,824</b>    | <b>2,006,380</b> | <b>801,033</b> | <b>25,500,215</b> |
| Excess(Deficiency) of revenues<br>over(under) expenditures | (267,909)           | (5,915,281)         | (823,634)        | 51,162         | (6,955,662)       |
| <b>OTHER FINANCING SOURCES(USES):</b>                      |                     |                     |                  |                |                   |
| Transfer in  | -                   | -                   | 1,106,169        | -              | 1,106,169         |
| Transfer out   | -                   | (1,106,169)         | -                | -              | (1,106,169)       |
| General obligation bond issuance                           | -                   | 1,800,000           | -                | -              | 1,800,000         |
| Premium on general obligation bond issuance                | -                   | 33,457              | -                | -              | 33,457            |
| Discount on general obligation bond issuance               | -                   | (32,653)            | -                | -              | (32,653)          |
| <b>TOTAL OTHER FINANCING SOURCES(USES)</b>                 | <b>-</b>            | <b>694,635</b>      | <b>1,106,169</b> | <b>-</b>       | <b>1,800,804</b>  |
| Change in fund balances                                    | (267,909)           | (5,220,646)         | 282,535          | 51,162         | (5,154,858)       |
| Fund balances beginning of year                            | 1,535,984           | 6,897,864           | 1,862,604        | 285,108        | 10,581,560        |
| Fund balances end of year                                  | <b>\$ 1,268,075</b> | <b>1,677,218</b>    | <b>2,145,139</b> | <b>336,270</b> | <b>5,426,702</b>  |

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2016

**Change in fund balances - total governmental funds**(page 22) \$ (5,154,858)

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

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

|                      |              |           |
|----------------------|--------------|-----------|
| Capital outlay       | \$ 7,326,615 |           |
| Depreciation expense | (979,525)    | 6,347,090 |
|                      |              |           |

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, issuances exceed repayments as follows:

|        |                |           |
|--------|----------------|-----------|
| Issued | \$ (1,800,000) |           |
| Repaid | 1,130,970      | (669,030) |
|        |                |           |

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

(4,890)

Income surtax account receivable is not collected for several months after year end and is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.

23,012

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.

31,434

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.

834,104

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.

|                               |           |           |
|-------------------------------|-----------|-----------|
| Compensated absences          | \$ 6,273  |           |
| Termination benefits          | (116,467) |           |
| Pension expense               | (568,560) |           |
| Other postemployment benefits | (70,233)  | (748,987) |
|                               |           |           |

**Change in net position of governmental activities**(page 19) \$ 657,875

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

|   | Business Type                     |  |
|---|-----------------------------------|--|
|   | Activities:<br>Enterprise<br>Fund | Governmental<br>Activities:<br>Internal<br>Service<br>Fund |
|   | School<br>Nutrition               |  |
| <b>ASSETS</b>                                   |                                   |  |
| Current assets:                                 |                                   |  |
| Cash and pooled investments                     | \$ 13,917                         | 287,928  |
| Accounts receivable                             | 793                               | -  |
| Inventories                                     | 20,410                            | -  |
| Total current assets                            | <u>35,120</u>                     | <u>287,928</u>   |
| Noncurrent assets:                              |                                   |  |
| Capital assets, net of accumulated depreciation | 150,973                           | -  |
| <b>TOTAL ASSETS</b>                             | <u>186,093</u>                    | <u>287,928</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                   |  |
| Pension related deferred outflows               | 38,731                            | -  |
| <b>TOTAL LIABILITIES</b>                        |                                   |  |
| Current liabilities:                            |                                   |  |
| Due to General Fund                             | 75,835                            | -  |
| Accounts payable                                | 14                                | 15,844   |
| Salaries and benefits payable                   | 48,063                            | -  |
| Unearned revenue                                | 14,989                            | -  |
| Total current liabilities                       | <u>138,901</u>                    | <u>15,844</u>  |
| Noncurrent liabilities:                         |                                   |  |
| Compensated absences                            | 9,931                             | -  |
| Net pension liability                           | 217,862                           | -  |
| Net OPEB liability                              | 7,685                             | -  |
| Total noncurrent liabilities                    | <u>235,478</u>                    | <u>-</u>   |
| <b>TOTAL LIABILITIES</b>                        | <u>374,379</u>                    | <u>15,844</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                                   |  |
| Pension related deferred inflows                | 21,409                            | -  |
| <b>NET POSITION</b>                             |                                   |  |
| Net investment in capital assets                | 150,973                           | -  |
| Unrestricted                                    | (321,937)                         | 272,084  |
| <b>TOTAL NET POSITION</b>                       | <u>\$ (170,964)</u>               | <u>272,084</u>   |

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016

|   | Business Type<br>Activities:<br>Enterprise<br>Fund<br>School<br>Nutrition | Governmental<br>Activities:<br>Internal<br>Service<br>Fund |
|---|---|--|
| OPERATING REVENUE:                            |   |  |
| Local sources:                                |   |  |
| Charges for service                           | \$ 524,727  | -  |
| Miscellaneous                                 | 268   | 1,337,768  |
| <b>TOTAL OPERATING REVENUES</b>               | <b>524,995</b>  | <b>1,337,768</b>   |
| OPERATING EXPENSES:                           |   |  |
| Support services:                             |   |  |
| Administration:                               |   |  |
| Salaries                                      | 9,419   | -  |
| Benefits                                      | 1,584   | 1,285,450  |
| Services                                      | 200   | 20,884   |
| Other   | 1,094   | -  |
| Operation and maintenance of plant:           |   |  |
| Services                                      | 6,476   | -  |
| Total support services                        | 18,773  | 1,306,334  |
| Non-instructional programs:                   |   |  |
| Food service operations:                      |   |  |
| Salaries                                      | 271,969   | -  |
| Benefits                                      | 52,617  | -  |
| Services                                      | 511   | -  |
| Supplies                                      | 346,348   | -  |
| Depreciation                                  | 23,356  | -  |
| Total non-instructional programs              | 694,801   | -  |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>713,574</b>  | <b>1,306,334</b>   |
| <b>OPERATING INCOME(LOSS)</b>                 | <b>(188,579)</b>  | <b>31,434</b>  |
| NON-OPERATING REVENUES(EXPENSES):             |   |  |
| Insurance proceeds                            | 15,000  | -  |
| State sources                                 | 5,622   | -  |
| Federal sources                               | 228,016   | -  |
| Interest income                               | 35  | -  |
| <b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b> | <b>248,673</b>  | <b>-</b>   |
| Change in net position                        | 60,094  | 31,434   |
| Net position beginning of year                | (231,058)   | 240,650  |
| Net position end of year                      | \$ (170,964)  | 272,084  |

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016

|  | Business Type<br>Activities:<br>Enterprise<br>Fund<br>School<br>Nutrition | Governmental<br>Activities:<br>Internal<br>Service<br>Fund |
|--|---|--|
| Cash flows from operating activities:  |   |  |
| Cash received from sale of lunches and breakfasts  | \$ 524,966  | -  |
| Cash received from miscellaneous   | 268   | 1,337,768  |
| Cash payments to employees for services  | (345,766)   | (1,285,450)  |
| Cash payments to suppliers for goods or services   | (300,720)   | (13,590)   |
| Net cash provided by(used in) operating activities   | (121,252)   | 38,728   |
| Cash flows from non-capital financing activities:  |   |  |
| State grants received  | 5,622   | -  |
| Federal grants received  | 169,162   | -  |
| Repayment to General Fund  | (35,145)  | -  |
| Insurance proceeds   | 15,000  | -  |
| Net cash provided by non-capital financing activities  | 154,639   | -  |
| Cash flows from capital and related financing activities:  |   |  |
| Purchase of capital assets   | (21,706)  | -  |
| Cash flows from investing activities:  |   |  |
| Interest on investments  | 35  | -  |
| Net increase in cash and pooled investments  | 11,716  | 38,728   |
| Cash and pooled investments beginning of year  | 2,201   | 249,200  |
| Cash and pooled investments end of year  | \$ 13,917   | 287,928  |
| <b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b> |   |  |
| Operating income(loss)   | \$ (188,579)  | 31,434   |
| Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities: |   |  |
| Commodities consumed   | 58,854  | -  |
| Depreciation   | 23,356  | -  |
| Increase in inventories  | (2,838)   | -  |
| Decrease in accounts receivable  | 780   | -  |
| Increase(Decrease) in accounts payable   | (2,107)   | 7,294  |
| Decrease in salaries and benefits payable  | (2,378)   | -  |
| Increase in net pension liability  | 40,421  | -  |
| Increase in deferred outflows of resources   | (44)  | -  |
| Decrease in deferred inflows of resources  | (46,262)  | -  |
| Decrease in deferred revenue   | (541)   | -  |
| Increase in compensated absences   | 985   | -  |
| Decrease in net other postemployment benefits  | (2,899)   | -  |
| Net cash provided by(used in) operating activities   | \$ (121,252)  | 38,728   |

**NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:**

During the year ended June 30, 2016, the District received Federal commodities valued at \$58,854.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

|                                | <u>Private Purpose<br/>Trust</u> |
|--------------------------------|----------------------------------|
| <b>ASSETS</b>                  |                                  |
| Cash and pooled investments    | <u>\$ 24,816</u>                 |
| <b>LIABILITIES</b>             | <u>-</u>                         |
| <b>NET POSITION</b>            |                                  |
| Held in trust for scholarships | <u><u>\$ 24,816</u></u>          |

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2016

|                                | <u>Private Purpose<br/>Trust</u> |
|--------------------------------|----------------------------------|
| Additions:                     |                                  |
| Local source:                  |                                  |
| Interest                       | \$ 67                            |
| Gifts and contributions        | 4,830                            |
| Total additions                | <u>4,897</u>                     |
| Deductions:                    |                                  |
| Instruction:                   |                                  |
| Other                          | <u>3,553</u>                     |
| Change in net position         | 1,344                            |
| Net position beginning of year | <u>23,472</u>                    |
| Net position end of year       | <u>\$ 24,816</u>                 |

SEE NOTES TO FINANCIAL STATEMENTS.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

The Center Point-Urbana 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 cities of Center Point and Urbana, Iowa, the predominate agricultural territory in Linn and Benton Counties. 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 Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Center Point-Urbana 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 Center Point-Urbana 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 does 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 Linn and Benton Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net position* consists of net position that does not meet 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 is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

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

The District also has an Internal Service Fund. The Internal Service Fund is used to account for the District's flex benefit health insurance plan for District employees.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is the Private Purpose Trust Fund.

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 is 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 nonoperating 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 nonoperating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances 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 purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. 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 District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

| Asset Class                     | Amount   |
|---------------------------------|----------|
| Land                            | \$ 5,000 |
| Buildings                       | 5,000    |
| Land improvements               | 5,000    |
| Intangibles                     | 50,000   |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 5,000    |

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

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

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

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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund while the compensated absences liability in the business type activities will be paid by the Nutrition Fund.

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 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 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 receivables 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.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balance in the General Fund is for miscellaneous accounts and smaller projects that are not able to be accounted for in other governmental funds.

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 at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,509,747 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

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

**Note 3. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2016 is as follows:

| Receivable Fund  | Payable Fund                 | Amount           |
|------------------|------------------------------|------------------|
| General          | Enterprise: School Nutrition | \$ 75,835        |
| Student Activity | General                      | 322              |
| Total            |                              | <u>\$ 76,157</u> |

The Nutrition Fund is repaying the General Fund \$75,000 for salaries and benefits paid by the General Fund paid for Nutrition Fund employees. The remaining \$835 is for interest due from the Nutrition Fund to the General Fund for interest on the loan between the funds.

The General Fund is repaying the Student Activity Fund for expenses paid by the Student Activity Fund which were not repaid by year end.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

| Transfer to  | Transfer from   | Amount              |
|--------------|---|---------------------|
| Debt Service | Capital Projects:<br>Statewide Sales, Service and Use Tax | \$ 954,226          |
| Debt Service | Capital Projects:<br>Physical Plant and Equipment Levy    | 151,943             |
| Total        |   | <u>\$ 1,106,169</u> |

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for payments on the Districts long term debt.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed to make principal and interest payments on the District's capital loan note indebtedness.

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| <b>Governmental activities:</b>              |                                 |           |           |                           |
| Capital assets not being depreciated:        |                                 |           |           |                           |
| Land   | \$ 519,028                      | -         | -         | 519,028                   |
| Construction in progress                     | 2,183,919                       | 6,956,507 | 4,251,263 | 4,889,163                 |
| Total capital assets not being depreciated   | 2,702,947                       | 6,956,507 | 4,251,263 | 5,408,191                 |
| Capital assets being depreciated:            |                                 |           |           |                           |
| Buildings                                    | 33,245,193                      | 4,317,195 | -         | 37,562,388                |
| Land improvements                            | 1,188,825                       | 86,078    | -         | 1,274,903                 |
| Machinery and equipment                      | 2,294,285                       | 218,098   | 115,714   | 2,396,669                 |
| Total capital assets being depreciated       | 36,728,303                      | 4,621,371 | 115,714   | 41,233,960                |
| Less accumulated depreciation for:           |                                 |           |           |                           |
| Buildings                                    | 12,605,648                      | 703,102   | -         | 13,308,750                |
| Land improvements                            | 735,332                         | 44,322    | -         | 779,654                   |
| Machinery and equipment                      | 1,474,324                       | 232,101   | 115,714   | 1,590,711                 |
| Total accumulated depreciation               | 14,815,304                      | 979,525   | 115,714   | 15,679,115                |
| Total capital assets being depreciated, net  | 21,912,999                      | 3,641,846 | -         | 25,554,845                |
| Governmental activities capital assets, net  | \$ 24,615,946                   | 3,641,846 | -         | 30,963,036                |
| <b>Business type activities:</b>             |                                 |           |           |                           |
| Machinery and equipment                      | \$ 296,886                      | 21,706    | -         | 318,592                   |
| Less accumulated depreciation                | 144,263                         | 23,356    | -         | 167,619                   |
| Business type activities capital assets, net | \$ 152,623                      | (1,650)   | -         | 150,973                   |

Depreciation expense was charged by the District as follows:

|  |            |
|--|------------|
| <b>Governmental activities:</b>                    |            |
| Instruction:                                       |            |
| Regular  | \$ 36,145  |
| Other  | 12,732     |
| Support services:                                  |            |
| Administration                                     | 22,884     |
| Operation and maintenance of plant                 | 6,946      |
| Transportation                                     | 153,394    |
|  | 232,101    |
| Unallocated depreciation                           | 747,424    |
| Total governmental activities depreciation expense | \$ 979,525 |
| <b>Business type activities:</b>                   |            |
| Food service operations                            | \$ 23,356  |

## Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

|                                     | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|-------------------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| <b>Governmental activities:</b>     |                                 |           |           |                           |                           |
| General obligation bonds            | \$ 12,695,000                   | 1,800,000 | 685,000   | 13,810,000                | 590,000                   |
| Revenue bonds                       | 6,415,000                       | -         | 195,000   | 6,220,000                 | 200,000                   |
| Qualified school construction bonds | 3,700,000                       | -         | -         | 3,700,000                 | -                         |
| Revenue BANs                        | 1,650,000                       | -         | -         | 1,650,000                 | 1,650,000                 |
| Capital loan note                   | 1,085,000                       | -         | 120,000   | 965,000                   | 130,000                   |
| Bus lease                           | 131,115                         | -         | 64,646    | 66,469                    | 66,469                    |
| Bus loan                            | 100,110                         | -         | 66,324    | 33,786                    | 33,786                    |
| Termination benefits                | 46,999                          | 148,800   | 32,333    | 163,466                   | 65,066                    |
| Compensated absences                | 136,737                         | 130,464   | 136,737   | 130,464                   | 130,464                   |
| Net pension liability               | 5,056,801                       | 1,230,690 | -         | 6,287,491                 | -                         |
| Net OPEB liability                  | 417,920                         | 70,233    | -         | 488,153                   | -                         |
| Total                               | \$ 31,434,682                   | 3,380,187 | 1,300,040 | 33,514,829                | 2,865,785                 |
| <b>Business type activities:</b>    |                                 |           |           |                           |                           |
| Compensated absences                | \$ 8,946                        | 9,931     | 8,946     | 9,931                     | 9,931                     |
| Net pension liability               | 177,441                         | 40,421    | -         | 217,862                   | -                         |
| Net OPEB liability                  | 10,584                          | -         | 2,899     | 7,685                     | -                         |
| Total                               | \$ 196,971                      | 50,352    | 11,845    | 235,478                   | 9,931                     |

## General Obligation Bonds Payable

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Refunding Bond Issue Dated April 1, 2011 |              |          | Bond Issued Dated August 1, 2014 |              |           | Crossover Bond Issued dated March 1, 2012 |              |          |
|----------------------------|--|--------------|----------|----------------------------------|--------------|-----------|---|--------------|----------|
|                            | Interest<br>Rates                        | Principal    | Interest | Interest<br>Rates                | Principal    | Interest  | Interest<br>Rates                         | Principal    | Interest |
| 2017                       | 2.00-2.38 %                              | \$ 420,000   | 51,050   | 2.00 %                           | \$ 100,000   | 259,795   | 1.10 %                                    | \$ 70,000    | 58,560   |
| 2018                       | 2.38-2.50                                | 300,000      | 42,181   | 2.00                             | 100,000      | 257,795   | 2.25                                      | 145,000      | 57,790   |
| 2019                       | 2.50-2.75                                | 295,000      | 34,775   | 2.00                             | 100,000      | 255,795   | 2.25                                      | 145,000      | 54,528   |
| 2020                       | 2.75-3.00                                | 295,000      | 26,919   | 2.00                             | 100,000      | 253,795   | 2.25                                      | 140,000      | 51,265   |
| 2021                       | 3.00-3.25                                | 315,000      | 18,175   | 2.00                             | 100,000      | 251,795   | 2.25                                      | 140,000      | 48,115   |
| 2022-2026                  | 3.25                                     | 325,000      | 7,881    | 2.25-3.00                        | 850,000      | 1,224,775 | 2.25-2.65                                 | 1,880,000    | 141,739  |
| 2027-2031                  | -  | -            | -        | 3.15-3.63                        | 3,725,000    | 894,475   | -   | -            | -        |
| 2032-2035                  | -  | -            | -        | 3.63-4.00                        | 2,565,000    | 204,507   | -   | -            | -        |
|                            |  | \$ 1,950,000 | 180,981  |                                  | \$ 7,640,000 | 3,602,732 |   | \$ 2,520,000 | 411,997  |

| Year<br>Ending<br>June 30, | Bond Issued July 29, 2015 |              |           | Total      |           |            |
|----------------------------|---------------------------|--------------|-----------|------------|-----------|------------|
|                            | Interest<br>Rates         | Principal    | Interest  | Principal  | Interest  | Total      |
| 2017                       | 3.50 %                    | \$ -         | 62,175    | 590,000    | 431,580   | 1,021,580  |
| 2018                       | 3.50                      | -            | 62,175    | 545,000    | 419,941   | 964,941    |
| 2019                       | 3.50                      | -            | 62,175    | 540,000    | 407,273   | 947,273    |
| 2020                       | 3.50                      | -            | 62,175    | 535,000    | 394,154   | 929,154    |
| 2021                       | 3.50                      | -            | 62,175    | 555,000    | 380,260   | 935,260    |
| 2022-2026                  | 3.50                      | -            | 310,875   | 3,055,000  | 1,685,270 | 4,740,270  |
| 2027-2031                  | 3.50                      | 220,000      | 307,725   | 3,945,000  | 1,202,200 | 5,147,200  |
| 2032-2035                  | 3.50-3.75                 | 1,480,000    | 189,725   | 4,045,000  | 394,232   | 4,439,232  |
|                            |                           | \$ 1,700,000 | 1,119,200 | 13,810,000 | 5,314,910 | 19,124,910 |

## **Revenue Bonds Payable**

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

| Year<br>Ending<br>June 30, | Bond Issue Dated March 1, 2010 |              |           |           |
|----------------------------|--------------------------------|--------------|-----------|-----------|
|                            | Interest<br>Rates              | Principal    | Interest  | Total     |
| 2017                       | 3.00 %                         | \$ 200,000   | 264,042   | 464,042   |
| 2018                       | 3.25                           | 205,000      | 257,711   | 462,711   |
| 2019                       | 3.50                           | 210,000      | 250,705   | 460,705   |
| 2020                       | 3.60                           | 220,000      | 243,070   | 463,070   |
| 2021                       | 3.75                           | 225,000      | 234,891   | 459,891   |
| 2022-2026                  | 3.90-4.35                      | 1,895,000    | 1,004,612 | 2,899,612 |
| 2027-2030                  | 4.45-4.75                      | 3,265,000    | 351,641   | 3,616,641 |
| Total                      |                                | \$ 6,220,000 | 2,606,672 | 8,826,672 |

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,380,000 of bonds dated March 1, 2010. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 37 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,826,672. For the current year, principal of \$195,000 and interest of \$269,578 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,257,950.

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

- a) \$732,431 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirement of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

## **Qualified School Construction Bonds Payable (QSCB's)**

During the year ended June 30, 2010, the District issued QSCB's for the purpose of school infrastructure. Annual transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2024. Details of the District's June 30, 2016 QSCB bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | QSCB Issue Dated November 17, 2009 |                     |                |                  |
|----------------------------|------------------------------------|---------------------|----------------|------------------|
|                            | Interest<br>Rates                  | Principal           | Interest       | Total            |
| 2017                       | 2.74 %                             | \$ -                | 101,380        | 101,380          |
| 2018                       | 2.74                               | -                   | 101,380        | 101,380          |
| 2019                       | 2.74                               | -                   | 101,380        | 101,380          |
| 2020                       | 2.74                               | -                   | 101,380        | 101,380          |
| 2021                       | 2.74                               | -                   | 101,380        | 101,380          |
| 2022-2024                  | 2.74                               | 3,700,000           | 253,450        | 3,953,450        |
| Total                      |                                    | <u>\$ 3,700,000</u> | <u>760,350</u> | <u>4,460,350</u> |

### **Revenue BANs Payable**

On April 1, 2014 the District entered into an agreement with Cedar Rapids Bank and Trust, Center Point, Iowa for the issuance of revenue BANs. Principal and interest payments will be made from the Capital Projects: Statewide Sales Services and Use Tax Fund. Details of the District's June 30, 2016 revenue BANs indebtedness are as follows:

| Year<br>Ending<br>June 30, | BANs Issue Dated April 1, 2014 |              |          |                  |
|----------------------------|--------------------------------|--------------|----------|------------------|
|                            | Interest<br>Rate               | Principal    | Interest | Total            |
| 2017                       | 1.95 %                         | \$ 1,650,000 | 40,219   | <u>1,690,219</u> |

### **Capital Loan Notes Payable**

During the year ended June 30, 2011 the District issued capital loan notes for construction. Principal and interest payments will be made from the Capital Projects: Physical, Plant and Equipment Levy Fund. Details of the District's June 30, 2016 capital loan note indebtedness are as follows:

| Year<br>Ending<br>June 30, | Capital Loan Notes Issue Dated April 1, 2011 |                   |                |                  |
|----------------------------|--|-------------------|----------------|------------------|
|                            | Interest<br>Rates                            | Principal         | Interest       | Total            |
| 2017                       | 2.40 %                                       | \$ 130,000        | 28,922         | 158,922          |
| 2018                       | 2.70   | 125,000           | 25,803         | 150,803          |
| 2019                       | 2.85   | 135,000           | 22,427         | 157,427          |
| 2020                       | 3.00   | 135,000           | 18,580         | 153,580          |
| 2021                       | 3.20   | 140,000           | 14,530         | 154,530          |
| 2022-2023                  | 3.30-3.40                                    | 300,000           | 15,150         | 315,150          |
| Total                      |  | <u>\$ 965,000</u> | <u>125,412</u> | <u>1,090,412</u> |

### **Bus Lease**

During the year ended June 30, 2014, the District entered into two lease purchase agreements with De Lage Laden Public Finance, LLC for Bluebird buses, payable from the Capital Projects: Statewide Sales, Service and Use Tax Fund. Both leases have a percentage rate of 2.82%. Details of the District's June 30, 2016 bus lease indebtedness are as follows:

| Year<br>Ending<br>June 30, | Lease Dated March 20, 2014 |          | Lease Dated April 15, 2014 |          | Total     |          |        |
|----------------------------|----------------------------|----------|----------------------------|----------|-----------|----------|--------|
|                            | Principal                  | Interest | Principal                  | Interest | Principal | Interest | Total  |
| 2017                       | \$ 44,541                  | 1,256    | 21,928                     | 618      | \$ 66,469 | 1,874    | 68,343 |

### **Bus Loan**

On October 12, 2012 the District entered into a loan agreement with Center Point Bank & Trust Company for the purchase of three buses. Principal and interest payments will be made from the Capital Projects: Statewide Sales Services and Use Tax Fund. Details of the District's June 30, 2016 bus loan indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bus Loan Dated October 12, 2012 |           |          |        |  |
|----------------------------|---------------------------------|-----------|----------|--------|--|
|                            | Interest<br>Rates               | Principal | Interest | Total  |  |
| 2017                       | 2.50 %                          | \$ 33,786 | 423      | 34,209 |  |

### **Termination Benefits**

The District offers a voluntary early retirement plan to its certified and support staff employees on a year to year basis. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee was \$15,000 in the 2011-2012 and 2012-2013 year. The early retirement incentive for each eligible employee was \$21,000 in the 2013-2014 and 2014-2015 years, employees were also given a \$3,000 bonus if notified intent to retire by December 23<sup>rd</sup>. The maximum early retirement incentive for the year ended June 30, 2016 was \$32,000. The prorated benefits are calculated by numbers of years of service times \$1,000. The insurance coverage will cease when the employee reaches age sixty-five, secures other employment in which the employer insurance coverage, or becomes deceased.

At June 30, 2016, the District had obligations to eight participants with a total liability of \$163,466. Actual early retirement benefits paid during the year ended June 30, 2016, totaled \$32,333.

### **Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 - 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 2016, 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, 2016 were \$858,662.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$6,505,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.1316744 percent, which was a decrease of 0.000307 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$587,390. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 98,288                         | \$ -                             |
| Changes of assumptions   | 179,109                           | -                                |
| Net difference between projected and actual earnings on IPERS' investments   | -                                 | 541,415                          |
| Changes in proportion and differences between District contributions and the District's proportionate share of contributions | 142,815                           | -                                |
| District contributions subsequent to the measurement date  | 858,662                           | -                                |
| Total  | <u>\$ 1,278,874</u>               | <u>\$ 541,415</u>                |

\$858,662 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amount              |
|------------------------|---------------------|
| 2017                   | \$ (142,029)        |
| 2018                   | (142,029)           |
| 2019                   | (142,029)           |
| 2020                   | 297,432             |
| 2021                   | 7,452               |
|                        | <u>\$ (121,203)</u> |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
|--|--|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00 percent per annum   |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00 percent, average, including inflation<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50 percent, compounded annually, net of investment<br>expense, including inflation   |
| Wage growth<br>(effective June 30, 1990)                         | 4.00% per annum, based on 3.00% inflation<br>and 1.00% real wage inflation             |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on 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> |
|------------------------|-------------------------|---|
| Core plus fixed income | 28%                     | 2.04%   |
| Domestic equity        | 24                      | 6.29  |
| International equity   | 16                      | 6.75  |
| Private equity/debt    | 11                      | 11.32   |
| Real estate            | 8                       | 3.48  |
| Credit opportunities   | 5                       | 3.63  |
| U.S. TIPS              | 5                       | 1.91  |
| Other real assets      | 2                       | 6.24  |
| Cash                   | 1                       | (0.71)  |
| Total                  | <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.

|   | <u>1% Decrease (6.50%)</u> | <u>Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|---|----------------------------|------------------------------|----------------------------|
| District's proportionate share of the net pension liability | \$ 11,389,703              | 6,505,353                    | 2,382,611                  |

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](http://www.ipers.org).

Payables to IPERS - At June 30, 2016, the District reported payables to the defined benefit pension plan of \$160,756 for legally required employer contributions and \$107,111 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 140 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Actual 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                          |
|--|--------------------------|
| Annual required contribution               | \$ 91,655                |
| Interest on net OPEB obligation            | 10,713                   |
| Adjustment to annual required contribution | <u>(26,464)</u>          |
| Annual OPEB cost                           | 75,904                   |
| Contributions made                         | <u>(8,570)</u>           |
| Increase in net OPEB obligation            | 67,334                   |
| Net OPEB obligation beginning of year      | <u>428,504</u>           |
| Net OPEB obligation end of year            | <u><u>\$ 495,838</u></u> |

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

For the year ended June 30, 2016, the District contributed \$8,570 to the medical plan.

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

| Year Ended<br>June 30, | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|------------------------|---------------------|--|---------------------------|
| 2014                   | \$ 82,266           | 8.23%  | \$ 343,534                |
| 2015                   | 89,242              | 4.79%  | 428,504                   |
| 2016                   | 75,904              | 11.29%   | 495,838                   |

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$693,385, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$693,385. The covered payroll (annual payroll of active employees covered by the plan) was \$8,171,236 and the ratio of the UAAL to covered payroll was 8.49%. As of June 30, 2016, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of valuation and the historical pattern of sharing 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 July 1, 2015 actuarial valuation date, the entry age credit actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District’s funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP 2000 Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from 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. Street Assessment Agreement**

During the year ended June 30, 2012, the District entered into a city street assessment agreement with the City of Center Point. The city agreed to pave streets around the school and split the cost with the District. The District will pay the city \$56,639 a year for ten years to cover some of the costs of the repairs. The District made \$42,869 in principal payments and \$13,770 in interest payments towards this agreement during the year ended June 30, 2016. As of June 30, 2016 six years remain on this agreement with a total of \$353,604 left to be paid.

**Note 10. Risk Management**

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

**Note 11. 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 \$546,261 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 12. Categorical Funding**

The District’s ending restricted balances for categorical funding as of June 30, 2016 are for the following programs:

| Program                                  | Amount            |
|--|-------------------|
| Gifted and talented                      | \$ 204,042        |
| Teacher salary supplement                | 3,102             |
| Four-year old preschool state aid        | 72,902            |
| Successful progression for early readers | 21,424            |
| Total                                    | <u>\$ 301,470</u> |

### **Note 13. Assigned Fund Balances**

The District's General Fund assigned fund balance at June 30, 2016 is comprised of the following projects:

| <u>Project</u>              | <u>Amount</u>    |
|-----------------------------|------------------|
| Parent teacher organization | \$ 56,456        |
| School cents                | 7,965            |
| Playground                  | 2,511            |
| DVD account                 | 1,755            |
| Service learning            | 710              |
| Total                       | <u>\$ 69,397</u> |

### **Note 14. Construction Commitments**

The District has entered into construction contracts of \$6,781,069 for addition remodels of the District's intermediate and middle school buildings. As of June 30, 2016, \$4,889,163 of expenses had been incurred against these contracts. The remaining balance will be paid out as work on the projects progresses.

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

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

|   | <u>Net Investment<br/>in Capital Assets</u> | <u>Debt<br/>Service</u> | <u>Management<br/>Levy</u> | <u>School<br/>Infrastructure</u> | <u>Unassigned/<br/>Unrestricted</u> |
|---|---|-------------------------|----------------------------|----------------------------------|-------------------------------------|
| <b>Fund balance (Exhibit C)</b>                             | \$ -  | 2,884,944               | 78,209                     | 924,637                          | 897,208                             |
| Capital assets, net of accumulated depreciation             | 30,963,036                                  | -                       | -                          | -                                | -                                   |
| General obligation bond capitalized indebtedness            | (13,242,305)                                | -                       | -                          | -                                | -                                   |
| Unspent general obligation bond proceeds                    | -   | -                       | -                          | (567,695)                        | -                                   |
| Revenue bond capitalized indebtedness                       | (6,220,000)                                 | -                       | -                          | -                                | -                                   |
| Qualified school construction bond capitalized indebtedness | (3,700,000)                                 | -                       | -                          | -                                | -                                   |
| Revenue BANs payable  | (1,650,000)                                 | -                       | -                          | -                                | -                                   |
| Capital loan note capitalized indebtedness                  | (965,000)                                   | -                       | -                          | -                                | -                                   |
| Bus lease capitalized indebtedness                          | (66,469)                                    | -                       | -                          | -                                | -                                   |
| Bus loan capitalized indebtedness                           | (33,786)                                    | -                       | -                          | -                                | -                                   |
| Termination benefits payable                                | -   | -                       | (78,209)                   | -                                | (85,257)                            |
| Compensated absences payable                                | -   | -                       | -                          | -                                | (130,464)                           |
| Net OPEB liability  | -   | -                       | -                          | -                                | (488,153)                           |
| Net pension liability                                       | -   | -                       | -                          | -                                | (6,287,491)                         |
| Pension related deferred outflows                           | -   | -                       | -                          | -                                | 1,240,143                           |
| Pension related deferred inflows                            | -   | -                       | -                          | -                                | (520,006)                           |
| Income surtax receivable                                    | -   | -                       | -                          | -                                | 494,026                             |
| Accrued interest payable                                    | -   | (275,680)               | -                          | -                                | -                                   |
| Internal service fund                                       | -   | -                       | -                          | -                                | 272,084                             |
| Assigned fund balances                                      | -   | -                       | -                          | -                                | 69,397                              |
| <b>Net position (Exhibit A)</b>                             | <u>\$ 5,085,476</u>                         | <u>2,609,264</u>        | <u>-</u>                   | <u>356,942</u>                   | <u>(4,538,513)</u>                  |

***Center Point - Urbana Community School District***

REQUIRED SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA 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, 2016

|  | Governmental | Proprietary | Total<br>Actual | Budgeted Amounts |             | Final to  |
|--|--------------|-------------|-----------------|------------------|-------------|-----------|
|  | Funds        | Fund        |                 | Original         | Final       | Actual    |
|  | Actual       | Actual      |                 |                  |             | Variance  |
| Revenues:  |              |             |                 |                  |             |           |
| Local sources  | \$ 7,896,540 | 525,030     | 8,421,570       | 8,001,726        | 8,001,726   | 419,844   |
| State sources  | 10,358,961   | 5,622       | 10,364,583      | 10,338,263       | 10,338,263  | 26,320    |
| Federal sources  | 289,052      | 228,016     | 517,068         | 447,000          | 447,000     | 70,068    |
| Total revenues   | 18,544,553   | 758,668     | 19,303,221      | 18,786,989       | 18,786,989  | 516,232   |
| Expenditures/expenses:   |              |             |                 |                  |             |           |
| Instruction  | 10,749,805   | -           | 10,749,805      | 11,076,810       | 11,076,810  | 327,005   |
| Support services   | 4,922,601    | 18,773      | 4,941,374       | 5,095,800        | 5,095,800   | 154,426   |
| Non-instructional programs   | -            | 694,801     | 694,801         | 808,500          | 808,500     | 113,699   |
| Other expenditures   | 9,827,809    | -           | 9,827,809       | 10,366,239       | 10,366,239  | 538,430   |
| Total expenditures/expenses  | 25,500,215   | 713,574     | 26,213,789      | 27,347,349       | 27,347,349  | 1,133,560 |
| Excess(Deficiency) of revenues<br>(over)under expenditures/expenses                                | (6,955,662)  | 45,094      | (6,910,568)     | (8,560,360)      | (8,560,360) | 1,649,792 |
| Other financing sources, net   | 1,800,804    | 15,000      | 1,815,804       | 1,790,966        | 1,790,966   | 24,838    |
| Excess(Deficiency) of revenues<br>and other financing sources<br>over(under) expenditures/expenses | (5,154,858)  | 60,094      | (5,094,764)     | (6,769,394)      | (6,769,394) | 1,674,630 |
| Balances beginning of year   | 10,581,560   | (231,058)   | 10,350,502      | 9,720,796        | 9,720,796   | 629,706   |
| Balances end of year   | \$ 5,426,702 | (170,964)   | 5,255,738       | 2,951,402        | 2,951,402   | 2,304,336 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST TWO FISCAL YEARS\*

REQUIRED SUPPLEMENTARY INFORMATION

|  | 2016         | 2015      |
|--|--------------|-----------|
| District's proportion of the net pension liability   | 0.131674%    | 0.131981% |
| District's proportionate share of the net pension liability  | \$ 6,505,353 | 5,234,242 |
| District's covered-employee payroll  | \$ 9,019,138 | 8,643,292 |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 72.13%       | 60.56%    |
| IPERS' net position as a percentage of the total pension<br>liability  | 85.19%       | 87.61%    |

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

|   | 2016         | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      | 2007      |
|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Statutorily required contribution                                     | \$ 858,662   | 805,409   | 771,846   | 713,989   | 629,464   | 522,585   | 492,394   | 456,242   | 410,075   | 354,616   |
| Contributions in relation to the<br>statutorily required contribution | \$ (858,662) | (805,409) | (771,846) | (713,989) | (629,464) | (522,585) | (492,394) | (456,242) | (410,075) | (354,616) |
| Contribution deficiency (excess)                                      | -            | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| District's covered-employee payroll                                   | \$ 9,616,287 | 9,019,138 | 8,643,292 | 8,235,167 | 7,800,050 | 7,519,209 | 7,084,806 | 7,184,913 | 6,778,099 | 6,167,235 |
| Contributions as a percentage of<br>covered-employee payroll          | 8.93%        | 8.93%     | 8.93%     | 8.67%     | 8.07%     | 6.95%     | 6.95%     | 6.35%     | 6.05%     | 5.75%     |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

*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.

*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.
- 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 in the calculation of the UAL amortization payments.

CENTER POINT-URBANA 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-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2010                | July 1, 2009             | \$ -                          | \$ 571,095                            | \$ 571,095                | 0.0%               | \$ 6,250,442        | 9.14%   |
| 2011                | July 1, 2009             | \$ -                          | \$ 571,095                            | \$ 571,095                | 0.0%               | \$ 6,580,404        | 8.68%   |
| 2012                | July 1, 2009             | \$ -                          | \$ 571,095                            | \$ 571,095                | 0.0%               | \$ 6,585,599        | 8.67%   |
| 2013                | July 1, 2012             | \$ -                          | \$ 574,572                            | \$ 574,572                | 0.0%               | \$ 6,860,909        | 8.37%   |
| 2014                | July 1, 2012             | \$ -                          | \$ 567,447                            | \$ 567,447                | 0.0%               | \$ 7,276,625        | 7.80%   |
| 2015                | July 1, 2012             | \$ -                          | \$ 607,102                            | \$ 607,102                | 0.0%               | \$ 7,727,840        | 7.86%   |
| 2016                | July 1, 2015             | \$ -                          | \$ 693,385                            | \$ 693,385                | 0.0%               | \$ 8,171,236        | 8.49%   |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

***Center Point - Urbana Community School District***

SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

|   | Special Revenue     |                    |                |
|---|---------------------|--------------------|----------------|
|   | Student<br>Activity | Management<br>Levy | Total          |
| <b>ASSETS</b>   |                     |                    |                |
| Cash and pooled investments   | \$ 269,356          | 76,208             | 345,564        |
| Receivables:  |                     |                    |                |
| Property tax:   |                     |                    |                |
| Delinquent  | -                   | 1,814              | 1,814          |
| Succeeding year   | -                   | 235,000            | 235,000        |
| Accounts  | 4,333               | 187                | 4,520          |
| Due from other funds  | 322                 | -                  | 322            |
| <b>TOTAL ASSETS</b>   | <b>\$ 274,011</b>   | <b>313,209</b>     | <b>587,220</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                     |                    |                |
| Liabilities:  |                     |                    |                |
| Accounts payable  | \$ 15,331           | -                  | 15,331         |
| Salaries and benefits payable   | 619                 | -                  | 619            |
| Total liabilities   | 15,950              | -                  | 15,950         |
| Deferred inflows of resources:  |                     |                    |                |
| Unavailable revenues:   |                     |                    |                |
| Succeeding year property tax  | -                   | 235,000            | 235,000        |
| Fund balances:  |                     |                    |                |
| Restricted for:   |                     |                    |                |
| Student activities  | 258,061             | -                  | 258,061        |
| Management levy purposes  | -                   | 78,209             | 78,209         |
| Total fund balances   | 258,061             | 78,209             | 336,270        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <b>\$ 274,011</b>   | <b>313,209</b>     | <b>587,220</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2016

|                                    | Special Revenue     |                    |                |
|------------------------------------|---------------------|--------------------|----------------|
|                                    | Student<br>Activity | Management<br>Levy | Total          |
| REVENUES:                          |                     |                    |                |
| Local sources:                     |                     |                    |                |
| Local tax                          | \$ -                | 255,237            | 255,237        |
| Other                              | 568,873             | 24,291             | 593,164        |
| State sources                      | -                   | 3,794              | 3,794          |
| <b>TOTAL REVENUES</b>              | <b>568,873</b>      | <b>283,322</b>     | <b>852,195</b> |
| EXPENDITURES:                      |                     |                    |                |
| Current:                           |                     |                    |                |
| Instruction:                       |                     |                    |                |
| Regular                            | -                   | 32,333             | 32,333         |
| Other                              | 518,202             | -                  | 518,202        |
| Support services:                  |                     |                    |                |
| Administration                     | -                   | 134,230            | 134,230        |
| Operation and maintenance of plant | -                   | 98,857             | 98,857         |
| Transportation                     | -                   | 17,411             | 17,411         |
| <b>TOTAL EXPENDITURES</b>          | <b>518,202</b>      | <b>282,831</b>     | <b>801,033</b> |
| Change in fund balances            | 50,671              | 491                | 51,162         |
| Fund balances beginning of year    | 207,390             | 77,718             | 285,108        |
| Fund balances end of year          | \$ 258,061          | 78,209             | 336,270        |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2016

|   | Capital Projects                            |  |   | Total            |
|---|---|--|---|------------------|
|   | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | General<br>Obligation<br>Bond<br>Construction |                  |
| <b>ASSETS</b>   |   |  |   |                  |
| Cash and pooled investments   | \$ 1,009,956                                | 24,959                                     | 1,581,700                                     | 2,616,615        |
| Receivables:  |   |  |   |                  |
| Property tax:   |   |  |   |                  |
| Delinquent  | -   | 1,957                                      | -   | 1,957            |
| Succeeding year   | -   | 468,581                                    | -   | 468,581          |
| Due from other governments  | 206,500                                     | -  | -   | 206,500          |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,216,456</b>                         | <b>495,497</b>                             | <b>1,581,700</b>                              | <b>3,293,653</b> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b>       |   |  |   |                  |
| Liabilities:  |   |  |   |                  |
| Accounts payable  | \$ 119,709                                  | 14,140                                     | 1,014,005                                     | 1,147,854        |
| Deferred inflows of resources:  |   |  |   |                  |
| Unavailable revenues:   |   |  |   |                  |
| Succeeding year property tax  | -   | 468,581                                    | -   | 468,581          |
| Fund balances:  |   |  |   |                  |
| Restricted for:   |   |  |   |                  |
| Debt service  | 739,805                                     | -  | -   | 739,805          |
| School infrastructure   | 356,942                                     | -  | 567,695                                       | 924,637          |
| Physical plant and equipment  | -   | 12,776                                     | -   | 12,776           |
| Total fund balances   | 1,096,747                                   | 12,776                                     | 567,695                                       | 1,677,218        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <b>\$ 1,216,456</b>                         | <b>495,497</b>                             | <b>1,581,700</b>                              | <b>3,293,653</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|  | Capital Projects                            |  |   | Total            |
|--|---|--|---|------------------|
|  | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | General<br>Obligation<br>Bond<br>Construction |                  |
| REVENUES:  |   |  |   |                  |
| Local sources:   |   |  |   |                  |
| Local tax  | \$ -  | 275,297                                    | -   | 275,297          |
| Other  | 17,089                                      | 6,938                                      | 4,197   | 28,224           |
| State sources  | 1,257,950                                   | 4,072                                      | -   | 1,262,022        |
| <b>TOTAL REVENUES</b>                                      | <b>1,275,039</b>                            | <b>286,307</b>                             | <b>4,197</b>                                  | <b>1,565,543</b> |
| EXPENDITURES:  |   |  |   |                  |
| Current:   |   |  |   |                  |
| Administration   | 1,250                                       | 21,011                                     | 49,657  | 71,918           |
| Operation and maintenance of plant                         | 13,326                                      | -  | -   | 13,326           |
| Transportation   | 120,412                                     | -  | -   | 120,412          |
| Capital outlay   | 313,278                                     | 102,418                                    | 6,859,472                                     | 7,275,168        |
| <b>TOTAL EXPENDITURES</b>                                  | <b>448,266</b>                              | <b>123,429</b>                             | <b>6,909,129</b>                              | <b>7,480,824</b> |
| Excess(Deficiency) of revenues<br>over(under) expenditures | 826,773                                     | 162,878                                    | (6,904,932)                                   | (5,915,281)      |
| OTHER FINANCING SOURCES(USES):                             |   |  |   |                  |
| Transfer out   | (954,226)                                   | (151,943)                                  | -   | (1,106,169)      |
| General obligation bond issuance                           | -   | -  | 1,800,000                                     | 1,800,000        |
| Premium on general obligation bond issuance                | -   | -  | 33,457  | 33,457           |
| Discount on general obligation bond issuance               | -   | -  | (32,653)                                      | (32,653)         |
| <b>TOTAL OTHER FINANCING SOURCES(USES)</b>                 | <b>(954,226)</b>                            | <b>(151,943)</b>                           | <b>1,800,804</b>                              | <b>694,635</b>   |
| Change in fund balances                                    | (127,453)                                   | 10,935                                     | (5,104,128)                                   | (5,220,646)      |
| Fund balances beginning of year                            | 1,224,200                                   | 1,841                                      | 5,671,823                                     | 6,897,864        |
| Fund balances end of year                                  | \$ 1,096,747                                | 12,776                                     | 567,695                                       | 1,677,218        |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2016

|                                | Private Purpose Trust Fund - Scholarship Accounts |                        |                       |                       |                        |                     |                    |                       | Total  |
|--------------------------------|---|------------------------|-----------------------|-----------------------|------------------------|---------------------|--------------------|-----------------------|--------|
|                                | Denison<br>Scholarship                            | Wyckoff<br>Scholarship | Bowers<br>Scholarship | Mrs. C<br>Scholarship | W. Andrews<br>Memorial | Students in<br>Need | Rogers<br>Memorial | Other<br>Scholarships |        |
| <b>ASSETS</b>                  |   |                        |                       |                       |                        |                     |                    |                       |        |
| Cash and pooled investments    | \$ 229  | 600                    | 6,204                 | 5,531                 | 6,466                  | 2,277               | 2,009              | 1,500                 | 24,816 |
| <b>LIABILITIES</b>             |   |                        |                       |                       |                        |                     |                    |                       |        |
|                                | -   | -                      | -                     | -                     | -                      | -                   | -                  | -                     | -      |
| <b>NET POSITION</b>            |   |                        |                       |                       |                        |                     |                    |                       |        |
| Held in trust for scholarships | \$ 229  | 600                    | 6,204                 | 5,531                 | 6,466                  | 2,277               | 2,009              | 1,500                 | 24,816 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2016

|                                | Private Purpose Trust Fund - Scholarship Accounts |                        |                       |                       |                        |                     |                    |                       | Total  |
|--------------------------------|---|------------------------|-----------------------|-----------------------|------------------------|---------------------|--------------------|-----------------------|--------|
|                                | Denison<br>Scholarship                            | Wyckoff<br>Scholarship | Bowers<br>Scholarship | Mrs. C<br>Scholarship | W. Andrews<br>Memorial | Students in<br>Need | Rogers<br>Memorial | Other<br>Scholarships |        |
| Additions:                     |   |                        |                       |                       |                        |                     |                    |                       |        |
| Local sources:                 |   |                        |                       |                       |                        |                     |                    |                       |        |
| Interest                       | \$ -  | -                      | 25                    | 24                    | -                      | -                   | 18                 | -                     | 67     |
| Gifts and contributions        | 1,000   | -                      | -                     | -                     | -                      | 2,330               | -                  | 1,500                 | 4,830  |
| Total additions                | 1,000   | -                      | 25                    | 24                    | -                      | 2,330               | 18                 | 1,500                 | 4,897  |
| Deductions:                    |   |                        |                       |                       |                        |                     |                    |                       |        |
| Instruction:                   |   |                        |                       |                       |                        |                     |                    |                       |        |
| Other                          | 1,000   | -                      | 500                   | 500                   | -                      | 53                  | 500                | 1,000                 | 3,553  |
| Change in net position         | -   | -                      | (475)                 | (476)                 | -                      | 2,277               | (482)              | 500                   | 1,344  |
| Net position beginning of year | 229   | 600                    | 6,679                 | 6,007                 | 6,466                  | -                   | 2,491              | 1,000                 | 23,472 |
| Net position end of year       | \$ 229  | 600                    | 6,204                 | 5,531                 | 6,466                  | 2,277               | 2,009              | 1,500                 | 24,816 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2016

| Account                           | Balance<br>Beginning<br>of Year | Revenues       | Expendi-<br>tures | Balance<br>End<br>of Year |
|-----------------------------------|---------------------------------|----------------|-------------------|---------------------------|
| <b><u>District Wide</u></b>       |                                 |                |                   |                           |
| General athletics                 | \$ 5,627                        | 13,708         | 9,540             | 9,795                     |
| Annual                            | 1,010                           | 8,575          | 7,841             | 1,744                     |
| Canstruction                      | 1,181                           | -              | 163               | 1,018                     |
|                                   | <u>7,818</u>                    | <u>22,283</u>  | <u>17,544</u>     | <u>12,557</u>             |
| <b><u>Jr/Sr High Activity</u></b> |                                 |                |                   |                           |
| Drama                             | 1,117                           | -              | -                 | 1,117                     |
| Musical                           | 2,727                           | 5,287          | 2,967             | 5,047                     |
| Childrens theatre                 | 3,325                           | 168            | 412               | 3,081                     |
| Speech                            | 4                               | 2,232          | 2,206             | 30                        |
| Show choir                        | 5,903                           | 29,659         | 34,115            | 1,447                     |
| Cross country                     | 547                             | 5,863          | 5,386             | 1,024                     |
| Boys basketball                   | 7,084                           | 19,193         | 16,446            | 9,831                     |
| Football                          | 11,145                          | 42,303         | 40,693            | 12,755                    |
| Boys soccer                       | 883                             | 7,742          | 7,305             | 1,320                     |
| Boys baseball                     | 9,883                           | 20,130         | 20,649            | 9,364                     |
| Boys track                        | 195                             | 10,795         | 10,851            | 139                       |
| Golf                              | 3,058                           | 3,480          | 2,648             | 3,890                     |
| Boys wrestling                    | 2,182                           | 14,658         | 14,367            | 2,473                     |
| Girls basketball                  | 5,454                           | 30,979         | 30,989            | 5,444                     |
| Volleyball                        | 14,065                          | 22,238         | 22,634            | 13,669                    |
| Girls soccer                      | 311                             | 5,698          | 5,787             | 222                       |
| Softball                          | 8,016                           | 15,553         | 13,740            | 9,829                     |
| Girls track                       | 277                             | 10,851         | 8,778             | 2,350                     |
| Girls Golf                        | 278                             | 4,176          | 2,949             | 1,505                     |
| Storm troopers                    | 492                             | -              | -                 | 492                       |
| Computer Club                     | 5                               | 656            | 659               | 2                         |
| FCCLA                             | 1,430                           | -              | -                 | 1,430                     |
| Pop Fund                          | 4,990                           | -              | 4,990             | -                         |
| Senior science trip               | 1,469                           | 13,211         | 12,819            | 1,861                     |
| Art club                          | 26                              | -              | -                 | 26                        |
| Home economics                    | 1,310                           | 1,022          | 1,005             | 1,327                     |
| National honor society            | 2                               | 5,325          | 1,592             | 3,735                     |
| Student council                   | 1,371                           | 9,500          | 8,630             | 2,241                     |
| Spanish club                      | 9,382                           | 13,317         | 20,211            | 2,488                     |
| Biology club                      | 384                             | -              | -                 | 384                       |
| Cheerleaders                      | 1,309                           | 11,650         | 11,329            | 1,630                     |
| Drill team                        | 7,663                           | 3,018          | 6,511             | 4,170                     |
| Pep club                          | 1,061                           | 10,355         | 9,740             | 1,676                     |
| Class of 2016                     | 6,609                           | 430            | 7,039             | -                         |
| Class of 2017                     | 231                             | 21,095         | 13,377            | 7,949                     |
| Class of 2018                     | 270                             | 60             | 40                | 290                       |
| Class of 2019                     | -                               | 91             | 50                | 41                        |
| HS band/jazz band                 | 5,203                           | 20,258         | 23,757            | 1,704                     |
| Robotics club                     | 4,059                           | 4,718          | 4,215             | 4,562                     |
| Students in need                  | 1,928                           | 1,000          | 2,928             | -                         |
| MS choir                          | 4,767                           | 1,592          | 2,354             | 4,005                     |
| MS band                           | 1,025                           | 2,652          | 3,677             | -                         |
| CPU music parents                 | 46,460                          | 72,505         | 48,127            | 70,838                    |
| Booster club                      | 21,672                          | 103,130        | 74,686            | 50,116                    |
|                                   | <u>199,572</u>                  | <u>546,590</u> | <u>500,658</u>    | <u>245,504</u>            |
| Total                             | <u>\$ 207,390</u>               | <u>568,873</u> | <u>518,202</u>    | <u>258,061</u>            |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|                                    | Modified Accrual Basis |            |            |            |            |            |            |            |            |            |
|------------------------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                    | Years Ended June 30,   |            |            |            |            |            |            |            |            |            |
|                                    | 2016                   | 2015       | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       |
| Revenues:                          |                        |            |            |            |            |            |            |            |            |            |
| Local sources:                     |                        |            |            |            |            |            |            |            |            |            |
| Local tax                          | \$ 5,204,051           | 5,060,657  | 4,693,773  | 5,768,643  | 5,703,394  | 5,391,957  | 5,186,801  | 4,649,023  | 4,347,649  | 3,575,835  |
| Tuition                            | 1,544,174              | 1,346,449  | 1,269,890  | 1,191,695  | 1,048,600  | 1,006,673  | 1,014,968  | 892,508    | 806,991    | 706,255    |
| Other                              | 1,148,315              | 1,077,625  | 895,385    | 923,961    | 1,447,692  | 807,489    | 750,738    | 790,033    | 1,024,595  | 756,948    |
| State sources                      | 10,358,961             | 9,675,835  | 9,493,613  | 8,020,063  | 8,030,439  | 7,495,087  | 6,613,909  | 7,059,694  | 6,802,555  | 5,818,628  |
| Federal sources                    | 289,052                | 249,659    | 240,794    | 218,122    | 284,515    | 1,320,113  | 895,797    | 291,452    | 152,056    | 157,791    |
| Total                              | \$ 18,544,553          | 17,410,225 | 16,593,455 | 16,122,484 | 16,514,640 | 16,021,319 | 14,462,213 | 13,682,710 | 13,133,846 | 11,015,457 |
| Expenditures:                      |                        |            |            |            |            |            |            |            |            |            |
| Current:                           |                        |            |            |            |            |            |            |            |            |            |
| Instruction:                       |                        |            |            |            |            |            |            |            |            |            |
| Regular                            | \$ 6,878,109           | 6,927,662  | 6,673,324  | 6,100,816  | 5,709,992  | 5,335,294  | 5,833,806  | 5,774,940  | 5,189,594  | 4,712,334  |
| Special                            | 1,845,039              | 1,704,048  | 1,601,555  | 1,505,463  | 1,504,078  | 1,447,366  | 1,312,584  | 1,329,432  | 1,260,668  | 1,185,672  |
| Other                              | 2,026,657              | 1,949,338  | 1,822,963  | 1,846,716  | 1,768,856  | 1,578,589  | 1,093,601  | 982,601    | 996,817    | 899,698    |
| Support services:                  |                        |            |            |            |            |            |            |            |            |            |
| Student                            | 434,591                | 359,203    | 351,625    | 333,130    | 288,350    | 275,878    | 268,361    | 289,696    | 283,934    | 279,601    |
| Instructional staff                | 890,394                | 525,687    | 429,581    | 382,020    | 307,818    | 312,053    | 299,694    | 259,524    | 250,050    | 195,609    |
| Administration                     | 1,805,644              | 1,620,081  | 1,599,508  | 1,491,242  | 1,629,024  | 1,336,756  | 1,227,169  | 1,280,601  | 1,320,989  | 1,178,454  |
| Operation and maintenance of plant | 1,153,563              | 1,230,835  | 1,293,418  | 1,074,706  | 1,542,179  | 847,385    | 941,042    | 975,746    | 1,015,733  | 891,442    |
| Transportation                     | 638,409                | 549,096    | 842,834    | 749,940    | 599,810    | 410,806    | 363,347    | 781,409    | 347,964    | 442,407    |
| Non-instructional programs         | -                      | -          | 2,980      | -          | -          | 26,802     | -          | -          | -          | -          |
| Capital outlay                     | 7,275,168              | 2,285,690  | 352,416    | 588,756    | 2,695,037  | 12,473,465 | 2,185,255  | 391,154    | 532,939    | 2,449,914  |
| Long-term debt:                    |                        |            |            |            |            |            |            |            |            |            |
| Principal                          | 1,130,970              | 1,192,576  | 5,001,460  | 986,312    | 837,295    | 432,358    | 416,018    | 402,693    | 370,000    | 405,000    |
| Interest and fiscal charges        | 875,410                | 776,832    | 732,308    | 744,411    | 676,708    | 641,426    | 299,457    | 310,659    | 322,176    | 349,251    |
| Other expenditures:                |                        |            |            |            |            |            |            |            |            |            |
| AEA flow-through                   | 546,261                | 534,715    | 513,598    | 491,690    | 485,277    | 514,852    | 499,411    | 429,285    | 398,409    | 365,632    |
| Total                              | \$ 25,500,215          | 19,655,763 | 21,217,570 | 16,295,202 | 18,044,424 | 25,633,030 | 14,739,745 | 13,207,740 | 12,289,273 | 13,355,014 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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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 Center Point-Urbana 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 Center Point-Urbana Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Center Point-Urbana 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 Center Point-Urbana Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Center Point-Urbana Community School District's internal control.

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

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 I of the accompanying Schedule of Findings as item I-A-16 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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-16 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Center Point-Urbana 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Center Point-Urbana Community School District's Responses to Findings**

Center Point-Urbana Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Center Point-Urbana 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 Center Point-Urbana 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 13, 2017  
Newton, Iowa

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2016

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-16 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Payroll - recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - collecting and recording; posting and depositing; purchase order processing, check preparation, and reconciling.

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 continue to look for opportunities to improve Segregation of Duties within the office.

Conclusion - Response accepted.

I-B-16 Post Prom - We noted during our audit that an outside organization set up to support the District's Prom was using the District Federal Identification Number for the purpose of establishing a bank account.

Recommendation - If the outside group wishes to use the District Federal Identification Number then it should be accounted for within the District's Uniform Accounting System and be subject to the District's business practices. Alternatively the outside group should establish its own 501(c)(3) organization and get its own Federal Identification Number if it wishes to remain a separate legal entity.

Response - The outside organization, Post Prom, has established a bank account. This bank account does not use the District's Federal Identification number.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016, did not exceed the amounts budgeted.
- II-B-16 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-16 Travel Expenses - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- II-D-16 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

| Name, Title and<br>Business Connection                      | Transaction<br>Description | Amount   |
|---|----------------------------|----------|
| Bill Wright, Bus Driver<br>Owns WSA Promotions, LLC         | Supplies                   | \$10,686 |
| Jennifer Burkhart, Curriculum Director<br>Owns Emmy Doodles | Supplies                   | \$168    |

In accordance with the Attorney’s general’s opinion dated July 2, 1990, the above transaction with the District employees does not appear to represent a conflict of interest.

- II-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment - No variance in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.607 for the fall 2015 count.

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

Response - The District’s auditor will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-I-16 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.
- II-J-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-16 Categorical Funding - We note during our audit that the District coded library books and chairs for a media center to the Gifted and Talented Program. According to Chapter 98.20(1) of the Iowa Administrative Code expenditures coded to gifted and talented should be as follows:

The purpose of the gifted and talented funding described in Iowa Code section 257.46 is to provide for identified gifted students' needs beyond those provided by the regular school program pursuant to each gifted student's individualized plan. The funding shall be used only for expenditures that are directly related to providing the gifted and talented program.

Since the expenses do not appear to be beyond those provided by the regular school program we questioned the expenses as presented. Adjustments were made and are reflected in the financial statements as follows:

| <u>Unaudited</u> | <u>Adjustment</u> | <u>Audited</u> |
|------------------|-------------------|----------------|
| \$ 198,712       | \$ 5,330          | \$ 204,042     |

Recommendation - The District should review its procedures to ensure expenditures are coded per the Code of Iowa and guidance from the Iowa Department of Education.

Response - Procedures have been implemented to establish review of all expenditures are coded properly as per the Code of Iowa and Department of Education guidance.

Conclusion - Response accepted.

II-L-16 Statewide Sales, Services and Use Tax - No instance of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

|                            |                             |                             |
|----------------------------|-----------------------------|-----------------------------|
| Beginning balance          |                             | \$ 1,224,200                |
| Revenues/transfer in:      |                             |                             |
| Sales tax revenues         | \$ 1,257,950                |                             |
| Other local revenues       | 17,089                      | 1,275,039                   |
|                            | <u>                    </u> | <u>2,499,239</u>            |
| Expenditures/transfer out: |                             |                             |
| School infrastructure      | \$ 233,417                  |                             |
| Equipment                  | 120,412                     |                             |
| Other                      | 94,437                      |                             |
| Transfers to another fund: |                             |                             |
| Debt service fund          | 954,226                     | 1,402,492                   |
|                            | <u>                    </u> | <u>                    </u> |
| Ending balance             |                             | <u>\$ 1,096,747</u>         |

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

II-M-16 Student Activity Fund - During our audit concerns arose about certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

**PBIS:** We noted during our audit that the District purchased donuts to be used as part of the PBIS program from the Student Activity Fund. PBIS would not appear to be part of the extracurricular and co-curricular activities of the District.

Recommendation - The District should review its procedures to ensure that only expenses related to the extracurricular and co-curricular activities of the District are expended from the Student Activity Fund.

Response - The District has established PBIS funds in the General Fund to properly report the expenditures which are not extracurricular or co-curricular in nature.

Conclusion - Response accepted.

**Regional Events:** We noted during our audit that the District receipted money from hosting regional sporting events into the Student Activity Fund. Per guidance from the Iowa Department of Education money from hosting regional sporting events would be considered rent and would be deposited into the General Fund.

Recommendation - The District should review its procedures to ensure compliance with guidance from the Iowa Department of Education.

Response - The District has established procedures that all regional hosting revenues will be posted to the General Fund.

Conclusion - Response accepted.