

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2015 Election)		
Richard Roos	President	2015
Nick Hindley	Vice President	2015
Bill Matkovich	Board Member	2015
Joe Sharp	Board Member	2017
Marty Braster	Board Member	2017
Steve Hoch	Board Member	2015
Larry Heffron	Board Member	2015

(After September 2015 Election)

Marty Braster	President	2017
Joe Sharp	Vice President	2017
Brooke Johnson	Board Member	2019
Travis Yeomans	Board Member	2019
Angela Ocker	Board Member	2019
Larry Heffron	Board Member	2019
Steve Hoch	Board Member	2017
Bob Thomas	(Resigned March 2016) Board Member (Appointed April 2016)	2017

School Officials

Anthony Ryan	Superintendent	2016
Linda Henderson	Board Secretary/Business Manager	2016
Rick Engel	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 Centerville Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District, Centerville, Iowa, as of and for the year ended June 30, 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 Centerville 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, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 15 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centerville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to the second paragraph of this report, for the two years ended June 30, 2008 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 19, 2017, on our consideration of Centerville Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Centerville Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2017  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2016 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$14,788,219 in fiscal year 2015 to \$14,414,396 in fiscal year 2016, and General Fund expenditures increased from \$14,154,863 in fiscal year 2015 to \$14,913,828 in fiscal year 2016. The District's General Fund balance decreased from \$2,865,800 at June 30, 2015 to \$2,366,368 at June 30, 2016, a 17.43% decrease.
- The decrease in General Fund revenues was primarily attributable to an increase in state and federal sources revenues received as compared to the prior year. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

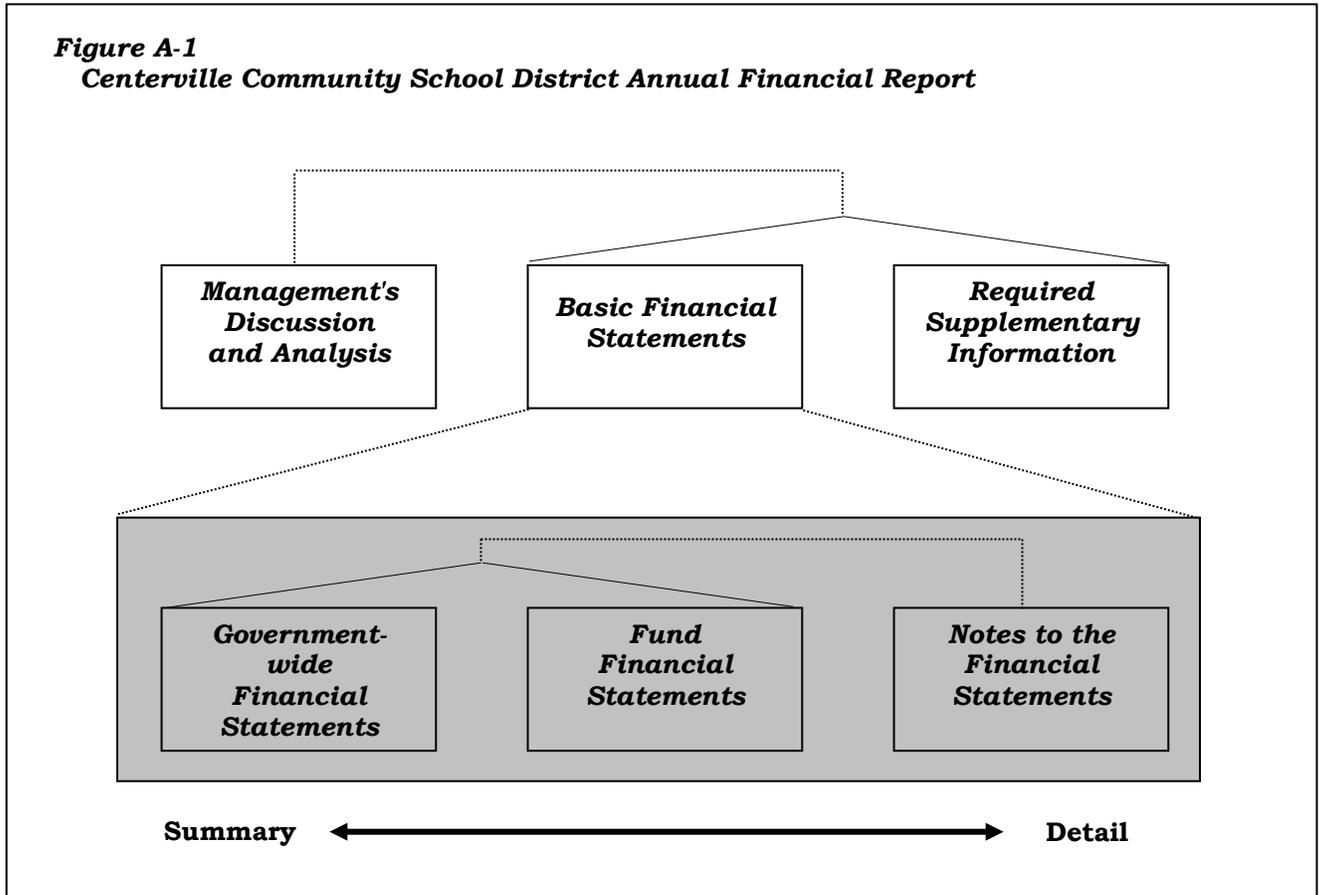


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2015 compared to June 30, 2016.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 12,306,519	14,085,601	97,375	61,281	12,403,894	14,146,882	-12.32%
Capital assets	10,853,886	9,010,615	54,719	58,183	10,908,605	9,068,798	20.29%
Total assets	23,160,405	23,096,216	152,094	119,464	23,312,499	23,215,680	0.42%
Deferred outflows of resources	1,121,305	1,101,568	29,596	30,737	1,150,901	1,132,305	100.00%
Long-term liabilities	6,778,731	5,949,231	182,510	151,144	6,961,241	6,100,375	14.11%
Other liabilities	1,939,763	1,998,440	51,274	55,641	1,991,037	2,054,081	-3.07%
Total liabilities	8,718,494	7,947,671	233,784	206,785	8,952,278	8,154,456	9.78%
Deferred inflows of resources	4,781,669	6,650,718	19,251	57,720	4,800,920	6,708,438	-28.43%
Net position:							
Net investment in capital assets	10,853,886	8,740,615	54,719	58,183	10,908,605	8,798,798	23.98%
Restricted	4,224,173	5,393,718	-	-	4,224,173	5,393,718	-21.68%
Unrestricted	(4,296,512)	(4,534,938)	(126,064)	(172,487)	(4,422,576)	(4,707,425)	6.05%
Total net position	\$ 10,781,547	9,599,395	(71,345)	(114,304)	10,710,202	9,485,091	12.92%

The District's total net position increased by 12.92%, or \$1,225,111 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position 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 decreased \$1,169,545, or 21.68% from the prior year. The decrease is primarily due to the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased \$284,849, or 6.05%. This increase was primarily a result of the District's net pension liability net pension expense recorded in the current year.

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

Figure A-4  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues							
Program revenues:							
Charges for service	\$ 685,389	653,291	215,939	206,002	901,328	859,293	4.89%
Operating grants, contributions and restricted interest	1,761,156	1,792,009	459,808	406,642	2,220,964	2,198,651	1.01%
Capital grants, contributions and restricted interest	46,750	29,337	-	34,243	46,750	63,580	-26.47%
General revenues:							
Property tax	4,567,823	4,655,380	-	-	4,567,823	4,655,380	-1.88%
Income surtax	149,007	162,436	-	-	149,007	162,436	-8.27%
Statewide sales, services and use tax	1,301,391	1,444,284	-	-	1,301,391	1,444,284	-9.89%
Unrestricted state grants	8,545,715	8,593,530	-	-	8,545,715	8,593,530	-0.56%
Nonspecific program federal revenue	6,822	5,869	-	-	6,822	5,869	16.24%
Unrestricted investment earnings	28,485	30,584	24	23	28,509	30,607	-6.85%
Other	121,691	223,802	1,939	1,283	123,630	225,085	-45.07%
Total revenues	17,214,229	17,590,522	677,710	648,193	17,891,939	18,238,715	-1.90%
Program expenses:							
Instruction	10,559,663	10,055,885	-	-	10,559,663	10,055,885	5.01%
Support services	4,536,316	3,999,367	8,031	15,663	4,544,347	4,015,030	13.18%
Non-instructional programs	-	-	626,720	620,932	626,720	620,932	0.93%
Other expenses	936,098	876,375	-	-	936,098	876,375	6.81%
Total expenses	16,032,077	14,931,627	634,751	636,595	16,666,828	15,568,222	7.06%
Change in net position	1,182,152	2,658,895	42,959	11,598	1,225,111	2,670,493	-54.12%
Net position beginning of year	9,599,395	6,940,500	(114,304)	(125,902)	9,485,091	6,814,598	39.19%
Net position end of year	\$ 10,781,547	9,599,395	(71,345)	(114,304)	10,710,202	9,485,091	12.92%

In fiscal year 2016, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 84.60% of the governmental revenue while charges for service and operating grants and contributions accounted for 99.71% of the revenue of the business type activities.

The District's total revenues were approximately \$17.89 million, of which approximately \$17.21 million was for governmental activities and approximately \$0.68 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.90% decrease in revenues and a 7.06% increase in expenses. The decrease in revenues was due to decreases in unrestricted state grant and statewide sales, services and use tax revenue received compared to the prior year. The increase in total expenses was due to increased support services expenses incurred when compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$17,214,229 and expenses were \$16,032,077 for the year ended June 30, 2016.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 10,559,663	10,055,885	5.01%	\$ 8,721,963	8,226,244	6.03%
Support services	4,536,316	3,999,367	13.43%	4,440,971	3,913,532	13.48%
Other expenses	936,098	876,375	6.81%	375,848	317,214	18.48%
Totals	\$ 16,032,077	14,931,627	7.37%	\$ 13,538,782	12,456,990	8.68%

For the year ended June 30, 2016:

- The cost financed by users of the District’s programs was \$685,389.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,807,906.
- The net cost of governmental activities was financed with \$4,567,823 in property tax, \$149,007 in income surtax, \$1,301,391 in statewide sales, services and use tax, \$8,545,715 in unrestricted state grants, \$6,822 in nonspecific program federal revenue, \$28,485 in unrestricted investment earnings, and \$121,691 in other general revenues.

### Business Type Activities

Revenues of the District’s business type activities for the year ended June 30, 2016, totaled \$677,710, representing a 4.55% increase from the prior year, while expenses totaled \$634,751, representing a 0.29% decrease from the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,138,623, below last year’s ending fund balances of \$7,361,100. The primary reason for the increase in combined fund balances in fiscal year 2016 is due to the decrease in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

### Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Total revenues decreased due to decreases in state and federal source revenue received compared to the prior year and total expenditures increased due to negotiated salaries and benefits paid to District employees. Total expenses outpaced total revenues for the year resulting in a decrease of the General Fund balance from \$2,865,800 at June 30, 2015 to \$2,366,368 at June 30, 2016.
- The Management Levy Fund balance increased from \$472,041 at June 30, 2015, to \$803,429 at June 30, 2016. This increase was primarily due to an increase in local tax and state source revenues received compared to the prior year.
- The Capital Projects Fund balance decreased from \$3,567,981 at June 30, 2015, to \$2,531,399 at June 30, 2016. This decrease was primarily due to a decrease in statewide sales, services and use tax revenues received and an increase in expenses compared to the prior year.

## Proprietary Fund Highlights

The Enterprise, School Nutrition Fund net position improved from deficit net position of \$114,304 at July 1, 2015 to a deficit net position of \$71,345 at June 30, 2016, representing an increase of 37.58%. An increase in federal source revenues received compared to the prior year was the primary reason for the increase in net position during the year.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$485,724 less than budgeted revenues, a variance of 2.64%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the District had invested \$10,908,605, 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 20.29% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$499,520.

The original cost of the District's capital assets was \$22,096,647. Governmental funds account for \$21,811,051 with the remainder of \$285,596 is accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$345,867 at June 30, 2015, compared to \$0 reported at June 30, 2016. This decrease resulted primarily from the District completing construction improvement projects on District buildings during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 196,400	196,400	-	-	196,400	196,400	0.00%
Construction in progress	-	345,867	-	-	-	345,867	-100.00%
Buildings	9,908,913	7,822,597	-	-	9,908,913	7,822,597	26.67%
Land improvements	301,847	239,123	-	-	301,847	239,123	26.23%
Machinery and equipment	446,726	406,628	54,719	58,183	501,445	464,811	7.88%
Total	\$ 10,853,886	9,010,615	54,719	58,183	10,908,605	9,068,798	20.29%

### Long-Term Debt

At June 30, 2016, the District had \$6,961,241 in general obligation and other long-term debt outstanding. This represents an increase of 14.11% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had compensated absences payable of \$106,148 at June 30, 2016, payable from the General Fund.

The District had a net pension liability associated with its early retirement and payout of accumulated sick and flex leave days in accordance with the District's master contract of \$109,516 at June 30, 2016.

The District had a net pension liability associated with IPERS of \$6,664,672 at June 30, 2016, of which \$6,484,508 was attributable to the governmental activities and \$180,164 was attributable to business type activities.

The District had a total net OPEB liability of \$80,905 at June 30, 2016. Governmental activities account for \$78,559 of the total while business type activities account for the remaining \$2,346.

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	\$ -	270,000	-	-	-	270,000	-100.00%
Compensated absences	106,148	112,704	-	-	106,148	112,704	-5.82%
Net pension liability - early retirement	109,516	122,288	-	-	109,516	122,288	-10.44%
Net pension liability - IPERS	6,484,508	5,425,791	180,164	150,562	6,664,672	5,576,353	19.52%
Net OPEB liability	78,559	18,448	2,346	582	80,905	19,030	325.14%
Totals	\$ 6,778,731	5,949,231	182,510	151,144	6,961,241	6,100,375	14.11%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in 16 of the past 19 years.
- Due to declining enrollment, the General Fund expenditure budget has liabilities that have to be attentively maintained to sustain ongoing expenditure practices.
- Low supplemental state aid, also known as allowable growth, increases over the past several years has had a negative impact on the district's spending authority balance.
- The state's financial woes and inability to make its foundation payments to schools in the full compounds the district's economic issues and at this time may be the most serious of the factors causing concern for the school district.

### CONTACTING THE DISTRICT'S FINANCIAL 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 Anthony Ryan, Superintendent, Centerville Community School District, PO Box 370, Centerville, Iowa, 52544.

**CENTERVILLE COMMUNITY SCHOOL DISTRICT**

# **Basic Financial Statements**

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 7,591,827	91,140	7,682,967
Receivables:			
Property tax:			
Delinquent	93,963	-	93,963
Succeeding year	4,077,437	-	4,077,437
Income surtax	150,696	-	150,696
Accounts	38,103	35	38,138
Due from other governments	354,493	-	354,493
Inventories	-	6,200	6,200
Capital assets, net of accumulated depreciation	10,853,886	54,719	10,908,605
<b>Total Assets</b>	<b>23,160,405</b>	<b>152,094</b>	<b>23,312,499</b>
<b>Deferred Outflows of Resources:</b>			
Pension related deferred outflows	1,121,305	29,596	1,150,901
<b>Liabilities</b>			
Accounts payable	367,610	150	367,760
Salaries and benefits payable	1,572,153	41,191	1,613,344
Unearned revenue	-	9,933	9,933
Long-term liabilities:			
Portion due within one year:			
Compensated absences payable	106,148	-	106,148
Portion due after one year:			
Net pension liability - early retirement	109,516	-	109,516
Net pension liability - IPERS	6,484,508	180,164	6,664,672
Net OPEB liability	78,559	2,346	80,905
<b>Total Liabilities</b>	<b>8,718,494</b>	<b>233,784</b>	<b>8,952,278</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable property tax revenue	4,077,437	-	4,077,437
Pension related deferred inflows	704,232	19,251	723,483
<b>Total Deferred Inflows of Resources</b>	<b>4,781,669</b>	<b>19,251</b>	<b>4,800,920</b>
<b>Net Position</b>			
Net investment in capital assets	10,853,886	54,719	10,908,605
Restricted for:			
Categorical funding	451,809	-	451,809
School infrastructure	2,531,508	-	2,531,508
Management levy purposes	803,429	-	803,429
Student activities	155,425	-	155,425
Support trust	248,916	-	248,916
Debt service	33,086	-	33,086
Unrestricted	(4,296,512)	(126,064)	(4,422,576)
<b>Total Net Position</b>	<b>\$ 10,781,547</b>	<b>(71,345)</b>	<b>10,710,202</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 6,547,407	402,772	112,339	-	(6,032,296)	-	(6,032,296)
Special	1,907,970	14,419	357,085	-	(1,536,466)	-	(1,536,466)
Other	2,104,286	250,988	700,097	-	(1,153,201)	-	(1,153,201)
	<u>10,559,663</u>	<u>668,179</u>	<u>1,169,521</u>	<u>-</u>	<u>(8,721,963)</u>	<u>-</u>	<u>(8,721,963)</u>
Support services:							
Student	548,320	-	5,495	-	(542,825)	-	(542,825)
Instructional staff	631,355	-	26	-	(631,329)	-	(631,329)
Administration	1,533,140	16,536	24,482	-	(1,492,122)	-	(1,492,122)
Operation and maintenance of plant	1,347,462	-	-	46,750	(1,300,712)	-	(1,300,712)
Transportation	476,039	674	1,382	-	(473,983)	-	(473,983)
	<u>4,536,316</u>	<u>17,210</u>	<u>31,385</u>	<u>46,750</u>	<u>(4,440,971)</u>	<u>-</u>	<u>(4,440,971)</u>
Long-term debt interest	3,604	-	-	-	(3,604)	-	(3,604)
Other expenses:							
AEA flowthrough	560,250	-	560,250	-	-	-	-
Depreciation (unallocated)*	372,244	-	-	-	(372,244)	-	(372,244)
	<u>932,494</u>	<u>-</u>	<u>560,250</u>	<u>-</u>	<u>(372,244)</u>	<u>-</u>	<u>(372,244)</u>
Total governmental activities	<u>16,032,077</u>	<u>685,389</u>	<u>1,761,156</u>	<u>46,750</u>	<u>(13,538,782)</u>	<u>-</u>	<u>(13,538,782)</u>
Business type activities:							
Support services:							
Administration	4,171	-	-	-	-	(4,171)	(4,171)
Operation and maintenance of plant	3,860	-	-	-	-	(3,860)	(3,860)
Non-instructional programs:							
Food service operations	626,720	215,939	459,808	-	-	49,027	49,027
Total business type activities	<u>634,751</u>	<u>215,939</u>	<u>459,808</u>	<u>-</u>	<u>-</u>	<u>40,996</u>	<u>40,996</u>
Total	<u>\$ 16,666,828</u>	<u>901,328</u>	<u>2,220,964</u>	<u>46,750</u>	<u>(13,538,782)</u>	<u>40,996</u>	<u>(13,497,786)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 4,072,326	-	4,072,326
Debt service					273,612	-	273,612
Capital outlay					221,885	-	221,885
Income surtax					149,007	-	149,007
Statewide sales, services and use tax					1,301,391	-	1,301,391
Unrestricted state grants					8,545,715	-	8,545,715
Nonspecific program federal revenue					6,822	-	6,822
Unrestricted investment earnings					28,485	24	28,509
Other general revenues					121,691	1,939	123,630
Total general revenues					<u>14,720,934</u>	<u>1,963</u>	<u>14,722,897</u>
Change in net position					1,182,152	42,959	1,225,111
Net position beginning of year					<u>9,599,395</u>	<u>(114,304)</u>	<u>9,485,091</u>
Net position end of year					<u>\$ 10,781,547</u>	<u>(71,345)</u>	<u>10,710,202</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30 2016

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,929,217	793,147	2,428,466	440,997	7,591,827
Receivables:					
Property tax:					
Delinquent	73,498	10,282	4,565	5,618	93,963
Succeeding year	3,366,158	499,999	211,280	-	4,077,437
Income surtax	50,232	-	100,464	-	150,696
Accounts	5,014	-	-	33,089	38,103
Due from other governments	140,782	-	213,581	130	354,493
<b>Total Assets</b>	<b>\$ 7,564,901</b>	<b>1,303,428</b>	<b>2,958,356</b>	<b>479,834</b>	<b>12,306,519</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>					
Liabilities:					
Accounts payable	\$ 209,990	-	115,213	42,407	367,610
Salaries and benefits payable	1,572,153	-	-	-	1,572,153
Total liabilities	1,782,143	-	115,213	42,407	1,939,763
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,366,158	499,999	211,280	-	4,077,437
Income surtax	50,232	-	100,464	-	150,696
Total deferred inflows of resources	3,416,390	499,999	311,744	-	4,228,133
Fund balances:					
Restricted for:					
Categorical funding	451,809	-	-	-	451,809
School infrastructure	-	-	2,531,508	-	2,531,508
Management levy purposes	-	803,429	-	-	803,429
Student activities	-	-	-	155,425	155,425
Support trust	-	-	-	248,916	248,916
Debt service	-	-	-	33,086	33,086
Unassigned:					
General	1,914,559	-	-	-	1,914,559
Physical plant and equipment levy	-	-	(109)	-	(109)
Total fund balances	2,366,368	803,429	2,531,399	437,427	6,138,623
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,564,901</b>	<b>1,303,428</b>	<b>2,958,356</b>	<b>479,834</b>	<b>12,306,519</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE 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)** \$ 6,138,623

*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 the governmental funds. 10,853,886

Accounts receivable income surtax is not available to finance current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 150,696

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	\$ 1,121,305	
Deferred inflows of resources	<u>(704,232)</u>	417,073

Long-term liabilities, including compensated absences payable, other post employment benefits payable, net pension liability - early retirement, and net pension liability - IPERS are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (6,778,731)

**Net position of governmental activities (page 18)** \$ 10,781,547

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,623,935	499,695	324,493	273,612	4,721,735
Tuition	381,500	-	-	-	381,500
Other	185,205	20,499	56,613	301,721	564,038
State sources	9,317,886	14,830	1,307,976	8,121	10,648,813
Federal sources	901,562	746	331	409	903,048
Total revenues	<u>14,410,088</u>	<u>535,770</u>	<u>1,689,413</u>	<u>583,863</u>	<u>17,219,134</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,703,415	13,877	7,971	20,111	6,745,374
Special	1,914,847	-	-	-	1,914,847
Other	1,825,633	-	-	303,500	2,129,133
	<u>10,443,895</u>	<u>13,877</u>	<u>7,971</u>	<u>323,611</u>	<u>10,789,354</u>
Support services:					
Student	553,023	-	-	-	553,023
Instructional staff	415,304	-	148,128	-	563,432
Administration	1,547,063	117,943	-	-	1,665,006
Operation and maintenance of plant	990,599	55,674	-	-	1,046,273
Transportation	403,694	16,888	96,158	-	516,740
	<u>3,909,683</u>	<u>190,505</u>	<u>244,286</u>	<u>-</u>	<u>4,344,474</u>
Capital outlay	-	-	2,473,738	-	2,473,738
Long-term debt:					
Principal	-	-	-	270,000	270,000
Interest and fiscal charges	-	-	-	3,795	3,795
	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,795</u>	<u>273,795</u>
Other expenditures:					
AEA flowthrough	560,250	-	-	-	560,250
Total expenditures	<u>14,913,828</u>	<u>204,382</u>	<u>2,725,995</u>	<u>597,406</u>	<u>18,441,611</u>
Excess (deficiency) of revenues over (under) expenditures	(503,740)	331,388	(1,036,582)	(13,543)	(1,222,477)
Other financing sources (uses):					
Transfer in	4,308	-	400,489	-	404,797
Transfer out	-	-	(400,489)	(4,308)	(404,797)
Total other financing sources (uses)	<u>4,308</u>	<u>-</u>	<u>-</u>	<u>(4,308)</u>	<u>-</u>
Change in fund balances	(499,432)	331,388	(1,036,582)	(17,851)	(1,222,477)
Fund balances beginning of year	<u>2,865,800</u>	<u>472,041</u>	<u>3,567,981</u>	<u>455,278</u>	<u>7,361,100</u>
Fund balances end of year	<u>\$ 2,366,368</u>	<u>803,429</u>	<u>2,531,399</u>	<u>437,427</u>	<u>6,138,623</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds (page 22)** \$ (1,222,477)

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

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

Capital outlays	\$ 2,353,379	
Depreciation expense	(493,319)	
Loss on disposal of capital assets	<u>(16,789)</u>	1,843,271

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. 270,000

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow resources in the governmental funds. (4,905)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 191

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 844,783

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

Compensated absences	6,556	
Pension expense - IPERS	(507,928)	
Pension expense - early retirement	12,772	
Other postemployment benefits	<u>(60,111)</u>	<u>(548,711)</u>

**Change in net position of governmental activities (page 19)** \$ 1,182,152

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

	Enterprise School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 91,140
Accounts receivable	35
Inventories	6,200
Total current assets	97,375
Noncurrent assets:	
Capital assets, net of accumulated depreciation	54,719
<b>Total Assets</b>	<b>152,094</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	29,596
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	150
Salaries and benefits payable	41,191
Unearned revenue	9,933
Total current liabilities	51,274
Noncurrent liabilities:	
Net pension liability - IPERS	180,164
Net OPEB liability	2,346
Total noncurrent liabilities	182,510
<b>Total Liabilities</b>	<b>233,784</b>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	19,251
<b>Net Position</b>	
Net investment in capital assets	54,719
Unrestricted	(126,064)
<b>Total Net Position</b>	<b>\$ (71,345)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 215,939
Miscellaneous	1,939
Total operating revenues	217,878
Operating expenses:	
Support services:	
Administration:	
Services	1,574
Supplies	2,112
Other	485
	4,171
Operation and maintenance of plant:	
Services	3,860
Total support services	8,031
Non-instructional programs:	
Food service operations:	
Salaries	248,850
Benefits	70,277
Services	545
Supplies	300,847
Depreciation	6,201
Total non-instructional programs	626,720
Total operating expenses	634,751
Operating loss	(416,873)
Non-operating revenues (expenses):	
State sources	5,834
Federal sources	453,974
Interest income	24
Total non-operating revenues (expenses)	459,832
Change in net position	42,959
Net position beginning of year	(114,304)
Net position end of year	\$ (71,345)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 217,133
Cash received from miscellaneous sources	1,939
Cash payments to employees for services	(330,676)
Cash payments to suppliers for goods or services	(260,623)
Net cash used in operating activities	(372,227)
Cash flows from non-capital financing activities:	
State grants received	5,834
Federal grants received	442,795
Net cash provided by non-capital financing activities	448,629
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,737)
Cash flows from investing activities:	
Interest on investments	24
Net increase in cash and pooled investments	73,689
Cash and pooled investments beginning of year	17,451
Cash and pooled investments end of year	\$ 91,140
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (416,873)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	45,422
Depreciation	6,201
Decrease in inventories	3,287
Decrease in accounts receivable	65
Increase in accounts payable	91
Decrease in salaries and benefits payable	(5,587)
Increase in unearned revenue	1,129
Increase in net pension liability	29,602
Decrease in deferred outflows of resources	1,141
Decrease in deferred inflows of resources	(38,469)
Increase in other postemployment benefits	1,764
Net cash used in operating activities	\$ (372,227)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016 the District received Federal commodities valued at \$45,422.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 356,934
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 356,934</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 8,100
Interest income	1,479
Total additions	<u>9,579</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>11,550</u>
Change in net position	(1,971)
Net position beginning of year	<u>358,905</u>
Net position end of year	<u>\$ 356,934</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Management Fund is used to pay the costs of unemployment benefits, early retirement benefits, insurance agreements, and the costs of liability insurance and judgments or settlements relating to liabilities.

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

The District also reports the following nonmajor proprietary fund:

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2016, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2016.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a

long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

### **E. Budgets and Budgetary Accounting**

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

### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 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 \$72 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. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	\$ 400,489
General Fund Total	Student Activity Fund	4,308
		<u>\$ 404,797</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Physical Plant and Equipment Levy Fund was for construction expenses paid from the Capital Projects: Physical Plant and Equipment Levy Fund.

The transfer from the Student Activity Fund to the General Fund was to move Student Activity accounts which were more appropriate from the General Fund.

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 196,400	-	-	196,400
Construction in progress	345,867	2,090,095	2,435,962	-
Total capital assets not being depreciated	<u>542,267</u>	<u>2,090,095</u>	<u>2,435,962</u>	<u>196,400</u>
Capital assets being depreciated:				
Buildings	15,712,774	2,445,212	30,067	18,127,919
Land improvements	615,314	92,861	5,090	703,085
Machinery and equipment	2,804,097	161,173	181,623	2,783,647
Total capital assets being depreciated	<u>19,132,185</u>	<u>2,699,246</u>	<u>216,780</u>	<u>21,614,651</u>
Less accumulated depreciation for:				
Buildings	7,890,177	342,107	13,278	8,219,006
Land improvements	376,191	30,137	5,090	401,238
Machinery and equipment	2,397,469	121,075	181,623	2,336,921
Total accumulated depreciation	<u>10,663,837</u>	<u>493,319</u>	<u>199,991</u>	<u>10,957,165</u>
Total capital assets being depreciated, net	<u>8,468,348</u>	<u>2,205,927</u>	<u>16,789</u>	<u>10,657,486</u>
Governmental activities capital assets, net	<u>\$ 9,010,615</u>	<u>4,296,022</u>	<u>2,452,751</u>	<u>10,853,886</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 296,163	2,737	13,304	285,596
Less accumulated depreciation	237,980	6,201	13,304	230,877
Business type activities capital assets, net	\$ 58,183	(3,464)	-	54,719

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 41,720
Support services:	
Transportation	79,355
	<u>121,075</u>
Unallocated depreciation	<u>372,244</u>
Total governmental activities depreciation expense	<u>\$ 493,319</u>
Business type activities:	
Food service operations	<u>\$ 6,201</u>

#### **Note 5. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental Activities:</u></b>					
General Obligation Bonds	\$ 270,000	-	270,000	-	-
Compensated Absences	112,704	106,148	112,704	106,148	106,148
Net Pension Liability - Early Retirement	122,288	-	12,772	109,516	-
Net Pension Liability - IPERS	5,425,791	1,058,717	-	6,484,508	-
Net OPEB Liability	18,448	60,111	-	78,559	-
Total	<u>\$ 5,949,231</u>	<u>1,224,976</u>	<u>395,476</u>	<u>6,778,731</u>	<u>106,148</u>
<b><u>Business Type Activities:</u></b>					
Net pension Liability - IPERS	\$ 150,562	29,602	-	180,164	-
Net OPEB Liability	582	1,764	-	2,346	-
Total	<u>\$ 151,144</u>	<u>31,366</u>	<u>-</u>	<u>182,510</u>	<u>-</u>

#### **Note 6. Supplemental Pension Plan - Early Retirement**

**Plan Description** - The District provides a defined benefit pension benefit to eligible employees. Currently, all employees with the District who retire are eligible for this benefit. There are 196 active members in the plan as of June 30, 2016. The pension benefit is defined by the 2011-12 Master Contract, with the benefit being based on length of service to the District, hourly rate and number of sick leave/flexible leave day accrued. This benefit is paid in one lump sum upon retirement.

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

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

Annual required contribution	\$ 81,292
Interest on net pension liability	3,057
Adjustment to annual required contribution	<u>(14,751)</u>
Annual pension cost	69,598
Contributions made	<u>(82,370)</u>
Change in net pension obligation	(12,772)
Net pension obligation beginning of year	<u>122,288</u>
Net pension obligation end of year	<u><u>\$ 109,516</u></u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2011. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$82,370 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2014	\$ 90,021	115.49%	\$ 92,473
2015	72,613	58.94%	122,288
2016	69,598	118.35%	109,516

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$524,717, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$524,717. The covered payroll (annual payroll of active employees covered by the plan) was \$9,960,691 and the ratio of the UAAL to covered payroll was 5.27%. 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 employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

#### **Note 7. Pension Plan - IPERS**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](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 \$866,711.

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 \$6,664,672 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 0.134899 percent, which was a decrease of 0.005708 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$522,130. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,695	\$ -
Changes of assumptions	183,495	-
Net difference between projected and actual earnings on IPERS' investments	-	554,675
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	168,808
District contributions subsequent to the measurement date	866,711	-
<b>Total</b>	<b>\$ 1,150,901</b>	<b>\$ 723,483</b>

\$866,711 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (225,464)
2018	(225,464)
2019	(225,464)
2020	243,492
2021	(6,393)
	<u>\$ (439,293)</u>

There were no non-employer contributing entities at IPERS.

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1% 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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 11,668,642	\$ 6,664,672	\$ 2,440,963

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 \$116,894 for legally required employer contributions and \$77,886 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 155 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 97,182
Interest on net OPEB obligation	476
Adjustment to annual required contribution	<u>(1,962)</u>
Annual OPEB cost	95,696
Contributions made	<u>(33,821)</u>
Change in net OPEB obligation	61,875
Net OPEB obligation beginning of year	<u>19,030</u>
Net OPEB obligation end of year	<u><u>\$ 80,905</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 190,242	36.58%	\$ (111,451)
2015	170,234	23.35%	19,030
2016	95,696	35.34%	80,905

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 \$604,150, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$604,150. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,960,691, and the ratio of the UAAL to covered payroll was 6.07%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

**Note 9. Risk Management**

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

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$560,250 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Four-year-old preschool state aid	\$ 181,320
Teacher salary supplement	76,019
Successful progression for early readers	50,592
Professional development for model core curriculum	84,809
Professional development	59,069
Total	<u>\$ 451,809</u>

**Note 12. Deficit Balances**

The Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unassigned fund balance of \$109 at June 30, 2016.

**Note 13. Detailed Reconciliation of Certain Governmental Fund Balances to Net Position**

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

	<u>Unassigned/ Unrestricted</u>
Fund Balance (Exhibit C)	\$ 1,914,559
Income surtax	150,696
Net OPEB liability	(78,559)
Net pension liability - IPERS	(6,484,508)
Pension related deferred outflows	1,121,305
Pension related deferred inflows	(704,232)
Compensated absences payable	(106,148)
Unassigned physical plant and equipment levy	(109)
Net pension liability - early retirement	(109,516)
Net position (Exhibit A)	<u>\$ (4,296,512)</u>

**Note 14. 28E Agreement**

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

## **Required Supplementary Information**

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2016

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 5,667,273	217,902	5,885,175	7,385,915	7,385,915	(1,500,740)
Intermediate sources	-	-	-	85,000	85,000	(85,000)
State sources	10,648,813	5,834	10,654,647	9,416,502	9,416,502	1,238,145
Federal sources	903,048	453,974	1,357,022	1,495,170	1,495,170	(138,148)
<b>Total revenues</b>	<b>17,219,134</b>	<b>677,710</b>	<b>17,896,844</b>	<b>18,382,587</b>	<b>18,382,587</b>	<b>(485,743)</b>
<b>Expenditures/Expenses:</b>						
Instruction	10,789,354	-	10,789,354	11,646,600	11,646,600	857,246
Support services	4,344,474	8,031	4,352,505	4,875,288	4,875,288	522,783
Non-instructional programs	-	626,720	626,720	728,000	728,000	101,280
Other expenditures	3,307,783	-	3,307,783	1,800,623	4,500,000	1,192,217
<b>Total expenditures/expenses</b>	<b>18,441,611</b>	<b>634,751</b>	<b>19,076,362</b>	<b>19,050,511</b>	<b>21,749,888</b>	<b>2,673,526</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,222,477)	42,959	(1,179,518)	(667,924)	(3,367,301)	2,187,783
Balances beginning of year	7,361,100	(114,304)	7,246,796	5,917,149	5,917,149	1,329,647
Balances end of year	\$ 6,138,623	(71,345)	6,067,278	5,249,225	2,549,848	3,517,430

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$2,699,377.

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

	2016	2015
District's proportion of the net pension liability	0.134899%	0.140607%
District's proportionate share of the net pension liability	\$ 6,664,672	5,576,353
District's covered-employee payroll	\$ 9,245,286	9,060,795
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.09%	61.54%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 866,711	825,604	809,129	773,901	760,569	667,746	651,716	615,232	563,955	527,411
Contributions in relation to the statutorily required contribution	(866,711)	(825,604)	(809,129)	(773,901)	(760,569)	(667,746)	(651,716)	(615,232)	(563,955)	(527,411)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,705,610	9,245,286	9,060,795	8,926,194	9,424,647	9,607,856	9,377,209	9,688,693	9,321,570	9,172,365
Contributions as a percentage of 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.

CENTERVILLE 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)			
2010	July 1, 2008	\$ -	\$ 2,126,000	\$ 2,126,000	0.0 %	\$ 9,868,925	21.54 %
2011	July 1, 2010	-	1,203,000	1,203,000	0.0	9,086,847	13.24
2012	July 1, 2010	-	1,203,000	1,203,000	0.0	9,424,649	12.76
2013	July 1, 2012	-	914,690	914,690	0.0	10,211,360	8.96
2014	July 1, 2012	-	809,584	809,584	0.0	8,978,470	9.02
2015	July 1, 2012	-	712,789	712,789	0.0	9,242,624	7.71
2016	July 1, 2015	-	604,150	604,150	0.0	9,960,691	6.07

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)			
2012	July 1, 2011	\$ -	\$ 628,605	\$ 628,605	0.0 %	\$ 9,424,649	6.67 %
2013	July 1, 2011	-	628,605	628,605	0.0	10,211,360	6.16
2014	July 1, 2012	-	686,251	686,251	0.0	8,978,470	7.64
2015	July 1, 2014	-	568,011	568,011	0.0	9,242,624	6.15
2016	July 1, 2014	-	524,717	524,717	0.0	9,960,691	5.27

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Supplementary Information**

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Support Trust	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 164,545	248,984	413,529	27,468	440,997
Receivables:					
Property tax:					
Delinquent	-	-	-	5,618	5,618
Accounts	33,089	-	33,089	-	33,089
Due from other governments	130	-	130	-	130
<b>Total Assets</b>	<b>\$ 197,764</b>	<b>248,984</b>	<b>446,748</b>	<b>33,086</b>	<b>479,834</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 42,339	68	42,407	-	42,407
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted for:					
Student activities	155,425	-	155,425	-	155,425
Support trust	-	248,916	248,916	-	248,916
Debt service	-	-	-	33,086	33,086
Total fund balances	155,425	248,916	404,341	33,086	437,427
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 197,764</b>	<b>248,984</b>	<b>446,748</b>	<b>33,086</b>	<b>479,834</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2016

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Support Trust	Total		
Revenues:					
Local sources:					
Local tax	\$ -	-	-	273,612	273,612
Other	288,829	12,313	301,142	579	301,721
State sources	-	-	-	8,121	8,121
Federal sources	-	-	-	409	409
Total revenues	288,829	12,313	301,142	282,721	583,863
Expenditures:					
Current:					
Instruction					
Regular	-	20,111	20,111	-	20,111
Other	303,500	-	303,500	-	303,500
Long-term debt:					
Principal	-	-	-	270,000	270,000
Interest and fiscal charges	-	-	-	3,795	3,795
Total expenditures	303,500	20,111	323,611	273,795	597,406
Excess (Deficiency) of revenues over (under) expenditures	(14,671)	(7,798)	(22,469)	8,926	(13,543)
Other financing sources:					
Transfer out	(4,308)	-	(4,308)	-	(4,308)
Change in fund balances	(18,979)	(7,798)	(26,777)	8,926	(17,851)
Fund balances beginning of year	174,404	256,714	431,118	24,160	455,278
Fund balances end of year	\$ 155,425	248,916	404,341	33,086	437,427

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,428,458	8	2,428,466
Receivables:			
Property tax:			
Delinquent	-	4,565	4,565
Succeeding year	-	211,280	211,280
Income surtax	-	100,464	100,464
Due from other governments	213,581	-	213,581
<b>Total Assets</b>	<b>\$ 2,642,039</b>	<b>316,317</b>	<b>2,958,356</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 110,531	4,682	115,213
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	211,280	211,280
Income surtax	-	100,464	100,464
Total deferred inflows of resources	-	311,744	311,744
Fund balances:			
Restricted for:			
School infrastructure	2,531,508	-	2,531,508
Unassigned:			
Physical plant and equipment levy	-	(109)	(109)
Total fund balances	2,531,508	(109)	2,531,399
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,642,039</b>	<b>316,317</b>	<b>2,958,356</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	324,493	324,493
Other	9,765	46,848	56,613
State sources	1,301,391	6,585	1,307,976
Federal sources	-	331	331
Total revenues	<u>1,311,156</u>	<u>378,257</u>	<u>1,689,413</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	7,971	7,971
Support services:			
Instructional staff	-	148,128	148,128
Transportation	-	96,158	96,158
Capital outlay	2,169,544	304,194	2,473,738
Total expenditures	<u>2,169,544</u>	<u>556,451</u>	<u>2,725,995</u>
Deficiency of revenues under expenditures	(858,388)	(178,194)	(1,036,582)
Other financing sources (uses):			
Transfer in	-	400,489	400,489
Transfer out	(400,489)	-	(400,489)
Total other financing sources (uses)	<u>(400,489)</u>	<u>400,489</u>	<u>-</u>
Change in fund balances	(1,258,877)	222,295	(1,036,582)
Fund balances beginning of year	<u>3,790,385</u>	<u>(222,404)</u>	<u>3,567,981</u>
Fund balances end of year	<u>\$ 2,531,508</u>	<u>(109)</u>	<u>2,531,399</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
GENERAL ATHLETICS	\$ 485	500	560	-	425
HIGH SCHOOL GENERAL ACCOUNT	986	752	651	5,312	6,399
THESPIAN	17,432	4,111	2,565	-	18,978
SPEECH	2,539	-	1,032	957	2,464
VOCAL MUSIC CONCERT ADMISSIONS	12,148	1,972	32	(1,388)	12,700
VOCAL MUSIC	88	-	519	431	-
K-3 VOCAL MUSIC	91	-	-	-	91
INSTRUMENTAL MUSIC CONCERT ADMISSIONS	2,665	3,207	-	(3,173)	2,699
HIGH SCHOOL INSTRUMENTAL MUSIC RESALE	172	3,464	3,636	-	-
JUNIOR HIGH INSTRUMENTAL MUSIC	436	1,075	2,200	1,489	800
LAKEVIEW INSTRUMENTAL MUSIC	442	1,027	1,418	389	440
HIGH SCHOOL INSTRUMENTAL MUSIC	-	2,993	2,794	1,425	1,624
JUNIOR HIGH ATHLETICS	532	13,292	17,396	4,000	428
BOYS CROSS COUNTRY	100	780	1,078	400	202
GIRLS CROSS COUNTRY	100	864	1,077	220	107
BOYS BASKETBALL	751	9,780	9,558	-	973
FOOTBALL	2,540	47,731	40,643	-	9,628
BOYS SOCCER	39	1,114	2,261	1,300	192
BASEBALL	102	2,967	5,027	2,200	242
BOYS TRACK	366	3,101	7,571	4,200	96
BOYS TENNIS	75	51	1,056	1,000	70
BOYS GOLF	108	1,142	3,242	2,005	13
WRESTLING	170	4,869	7,061	2,210	188
GIRLS BASKETBALL	2,850	5,170	7,977	-	43
VOLLEYBALL	444	6,781	7,814	1,296	707
GIRLS VOLLEYBALL FUNDRAISERS	596	-	-	(596)	-
GIRLS SOCCER	14	1,252	3,351	2,130	45
SOFTBALL	1,197	10,372	7,119	-	4,450
GIRLS TRACK	2,441	1,611	6,072	2,090	70
GIRLS TENNIS	10	-	1,538	1,560	32
GIRLS GOLF	276	166	2,748	3,730	1,424
ACTIVITY TICKET	15,247	14,900	10,785	(18,375)	987
K-3 GENERAL ACCOUNT	168	-	-	-	168
CENTRAL POP	1,219	-	31	(1,188)	-
GARFIELD POP	1,102	-	-	(1,102)	-
LINCOLN POP	150	-	-	(150)	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
LAKEVIEW ACTIVITY	\$ 10,374	15,159	13,430	-	12,103
LAKEVIEW POP	971	115	-	(1,086)	-
JUNIOR HIGH ACTIVITY	21,882	16,143	17,650	(1,000)	19,375
AMERI-CORPS	630	-	-	(630)	-
APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL	489	-	-	-	489
PRESCHOOL BUILDING ACTIVITY	151	-	-	(151)	-
HIGH SCHOOL BIG RED DINER	280	-	-	-	280
HIGH SCHOOL YEARBOOK	1,562	8,979	7,978	-	2,563
HIGH SCHOOL GRADUATION	1,718	2,187	708	-	3,197
HIGH SCHOOL SCIENCE CLUB	13	-	-	-	13
FCCLA	200	-	-	-	200
FFA	10,732	28,265	30,778	-	8,219
NATIONAL HONOR SOCIETY	418	1,759	1,606	-	571
HIGH SCHOOL CHEERLEADERS	250	-	42	-	208
STUDENT COUNCIL	22,300	19,492	25,179	-	16,613
SOCIAL SCIENCE	289	-	-	-	289
F.B.L.A.	288	7,091	4,396	(45)	2,938
OFFICE EDUCATION	45	-	45	-	-
STUDENT IOWEGIAN	27	-	-	-	27
SPANISH CLUB	959	600	1,525	460	494
TRAP SHOOTING	1,614	4,089	5,283	-	420
PRIDE CLUB	813	-	1,372	1,300	741
BOWLING	-	54	682	730	102
WEIGHT ROOM	230	-	129	-	101
MAT CLUB - WRESTLING	150	-	(1,285)	(1,285)	150
CLASS OF 2011	1,285	-	412	(873)	-
CLASS OF 2012	873	-	(612)	(1,485)	-
CLASS OF 2013	1,485	-	(199)	(1,684)	-
CLASS OF 2014	1,683	-	1,683	-	-
CLASS OF 2015	1,582	-	-	-	1,582
CLASS OF 2016	1,091	-	-	-	1,091
CLASS OF 2017	-	2,065	(9,099)	(10,400)	764
ATHLETIC BOOSTER CLUB	21,538	37,077	42,566	155	16,204
LICENSES AND PERMITS	1	305	(100)	(400)	6
SCHOOL PROMOTIONS	400	-	114	(286)	-
INTEREST	-	405	405	-	-
TOTALS	\$ 174,404	288,829	303,500	(4,308)	155,425

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RAY MILLER MEMORIAL	\$ 1,783	6	-	1,789
ELGIN MEMORIAL	7,075	21	-	7,096
CLYDENE HINDLEY MEMORIAL	3	-	-	3
DAVE RETTER MEMORIAL	100	111	-	211
RUGGLES MATH AND SCIENCE CENTER	49,712	187	6,713	43,186
CLYDE AND VIRGINIA CARNEY MEMORIAL	9,822	8,287	9,842	8,267
GEORGE AND SHEILA STARCEVICH MEMORIAL	157	-	-	157
KRYSTAL HOWE MEMORIAL	1,079	3	-	1,082
TOM W. KING MEMORIAL	183,522	3,687	3,556	183,653
BENJAMIN BEAN MEMORIAL	573	1	-	574
IOWA STUDENT LOAN	1,507	5	-	1,512
DAN DAVIS MEMORIAL	1,381	5	-	1,386
TOTALS	<u>\$ 256,714</u>	<u>12,313</u>	<u>20,111</u>	<u>248,916</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RUBBERMAID SCHOLARSHIP	\$ 147	2	-	149
ORVILLE BUTLER	2,038	6	350	1,694
CLASS OF 1949	23,434	280	500	23,214
DON WHISLER MEMORIAL SCHOLARSHIP	2,044	6	500	1,550
KENNETH ELGIN SCHOLARSHIP	121,011	434	3,000	118,445
MILTON STOUT SCHOLARSHIP	1,310	4	-	1,314
FCCLA SCHOLARSHIP	19	-	-	19
ROBERT HARL MEMORIAL SCHOLARSHIP	131	-	-	131
HARRY L DUKES MEMORIAL	17	-	-	17
CLASS OF 1958	953	3	300	656
GOWER-VOXMAN SCHOLARSHIP	2,613	9	-	2,622
DR. F.B. LEFFERT SCHOLARSHIP	26,096	91	-	26,187
VIDAS SCHOLARSHIP	1,096	4	-	1,100
COLLEEN COOK SCHOLARSHIP	70,472	259	800	69,931
GERALD FOSTER MEMORIAL	17,997	60	500	17,557
DANA MIRITZ SCHOLARSHIP	26,636	98	500	26,234
CLYDE AND VIRGINIA CARNEY MEMORIAL	59,101	8,317	2,000	65,418
IA STUDENT LOAN SCHOLARSHIP	1,008	4	500	512
JOE AND SHIRLEY CARDANI MEMORIAL SCHOLARSHIP	2,782	2	2,600	184
TOTALS	<u>\$ 358,905</u>	<u>9,579</u>	<u>11,550</u>	<u>356,934</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 4,721,735	4,805,910	4,662,689	5,798,838	5,609,205	5,002,237	4,859,312	5,008,198	5,028,774	4,782,673
Tuition	381,500	375,785	400,970	434,527	364,732	401,054	341,991	375,371	387,318	388,623
Other	564,038	586,404	689,889	628,521	685,819	990,739	700,059	813,063	819,125	1,004,363
Intermediate sources	-	-	-	-	94,062	101,700	94,633	103,956	-	-
State sources	10,648,813	10,888,944	10,231,278	9,025,531	9,044,417	9,193,999	8,543,778	9,374,751	8,764,929	8,301,430
Federal sources	903,048	921,573	786,162	801,612	974,925	1,491,416	1,753,662	846,605	745,151	859,871
<b>Total</b>	<b>\$ 17,219,134</b>	<b>17,578,616</b>	<b>16,770,988</b>	<b>16,689,029</b>	<b>16,773,160</b>	<b>17,181,145</b>	<b>16,293,435</b>	<b>16,521,944</b>	<b>15,745,297</b>	<b>15,336,960</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 6,745,374	6,321,625	6,293,775	5,753,853	5,857,885	5,866,268	5,931,468	6,045,534	5,468,317	5,650,425
Special	1,914,847	1,812,683	1,742,643	1,759,689	1,709,296	1,975,683	1,974,553	2,125,759	2,155,219	2,595,201
Other	2,129,133	2,140,355	2,172,778	1,981,171	2,283,850	2,204,980	2,261,720	1,841,721	1,873,705	860,778
<b>Support services:</b>										
Student	553,023	517,879	502,980	480,343	490,406	463,773	469,265	464,385	379,594	366,232
Instructional staff	563,432	278,190	304,636	392,267	435,107	418,747	381,824	334,034	325,223	269,539
Administration	1,665,006	1,580,385	1,566,275	1,513,945	1,547,639	1,608,369	1,492,324	1,594,030	1,493,600	1,497,455
Operation and maintenance of plant	1,046,273	1,057,513	1,055,988	1,003,192	1,032,294	1,255,623	1,251,321	1,344,067	1,460,401	1,492,753
Transportation	516,740	516,845	504,702	505,404	494,981	683,717	693,726	645,995	580,598	582,836
Capital outlay	2,473,738	816,625	677,896	109,838	425,185	507,250	522,960	146,342	858,845	2,336,795
<b>Long-term debt:</b>										
Principal	270,000	300,000	1,095,000	1,730,000	502,585	1,103,956	774,353	772,414	699,283	596,595
Interest and other charges	3,795	4,895	45,043	85,911	110,783	152,990	185,984	199,292	244,297	250,448
<b>Other expenditures:</b>										
AEA flow-through	560,250	559,161	552,043	532,868	535,013	601,275	598,651	529,695	507,613	492,942
<b>Total</b>	<b>\$ 18,441,611</b>	<b>15,906,156</b>	<b>16,513,759</b>	<b>15,848,481</b>	<b>15,425,024</b>	<b>16,842,631</b>	<b>16,538,149</b>	<b>16,043,268</b>	<b>16,046,695</b>	<b>16,991,999</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 16	\$ 102,191
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 16	351,783 *
			<u>453,974</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 16	<u>396,594</u>
RURAL EDUCATION	84.358	FY 16	<u>24,482</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 16	<u>89,662</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 16	<u>5,316</u>
GREAT PRAIRIE AREA EDUCATION AGENCY:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 16	<u>19,389</u>
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 16	<u>65,558</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 16	<u>6,279</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA STATE UNIVERSITY:			
AMERICORPS - RECOVERY	94.006	FY 16	<u>2,112</u>
TOTAL			<u>\$ 1,063,366</u>

\* - Includes \$45,422 of non-cash awards.

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Centerville Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Centerville Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Centerville Community School District.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Centerville Community School District did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CENTERVILLE COMMUNITY SCHOOL DISTRICT**

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District as of and for the year ended June 30, 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 19, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

### **Centerville Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2017  
Newton, Iowa

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

**Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited Centerville Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Centerville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Centerville Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Centerville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Centerville Community School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Centerville Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-16 to be a material weakness.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2017  
Newton, Iowa

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which is required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
  - Child Nutrition Cluster
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Centerville Community School District did not qualify as a low-risk auditee.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

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

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

Conclusion - Response accepted.

**OTHER MATTERS:**

II-B-16 Inactive Student Activity Accounts - We noted several accounts within the student activity fund which do not appear to be active accounts. These include the K-3 Vocal Music, K-3 General, Appanose County Alternative High School, High School Science Club, Student Iowegian, and Mat Club-Wrestling accounts. Each of these accounts has not been used in the prior three fiscal years but each is still carrying a balance at year end.

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

Response - The District will review these accounts and will transfer per board approval the remaining balances of the inactive accounts.

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2016  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-16 Segregation of Duties - As previously identified in the fiscal year 2015 audit report (2016-001) as item III-A-15, one important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

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

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

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

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2016

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

IV-A-16 Certified Budget - District disbursements for the year ended June 30, 2016 did not exceed the amounts budgeted.

IV-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.

IV-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-16 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

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

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

IV-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-16 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was overstated by 1.22 students for the fall 2015 count date.

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

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

Conclusion - Response accepted.

IV-H-16 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-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.

IV-J-16 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education and we noted no significant deficiencies in amounts reported.

IV-K-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowableness of the statewide sales, services and use tax revenue provided in of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 3,790,385
Statewide sales, services and use tax	\$ 1,301,391	
Other local	9,765	1,311,156
		5,101,541
Expenditures:		
School infrastructure construction	2,061,802	
Other	107,742	
Transfers to other funds:		
Other transfers	400,489	2,570,033
		2,531,508
Ending balance		<u><u>\$ 2,531,508</u></u>

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

IV-M -16 Financial Condition - The District also had a deficit fund balance in the Capital Projects: Physical Plant and Equipment Levy Fund of \$109 at June 30, 2016.

Recommendation - The District should also monitor the Capital Projects; Physical Plant and Equipment Levy Fund and investigate alternatives to eliminate the deficit balance.

Response - This deficit fund balance was due to additional construction expenses at the end of the year that were recorded as payables. This deficit balance has now been eliminated.

Conclusion - Response accepted.