MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2016
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2016

Name		Term Expires
Gerald Van Roekel	President	2017
Shane Jager	Vice President	2019
Christine Koerselman	Board Member	2017
Chris Immeker	Board Member	2019
Amy Kleinhesselink	Board Member	2019
	Officials	
Russ Adams	Superintendent	2016
Kim Dykstra	Board Secretary	2016
Scott Kooiman	Board Treasurer	2016
Stephen F. Avery	Attorney	2016

WILLIAMS & COMPANY P.C.
Certified Public Accountants

21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543
www.williamscpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District, 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 as 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 that 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 activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley 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 accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the District corrected an error in the current year related to the classification of net position for governmental activities as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of Net Pension Liability, Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 43 through 48 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, who 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relate 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 auditing standards generally accepted in the United States of America. In our

opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2017, on our consideration of the MOC-Floyd Valley 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 the MOC-Floyd Valley Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 31, 2017

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

2016 FINANCIAL HIGHLIGHTS

General fund revenues increased by approximately 5% from $14,227,644 in fiscal year 2015 to $14,971,415 in fiscal year 2016, while General fund expenditures also increased from $14,289,135 in fiscal year 2015 to $14,716,878 in fiscal year 2016, an approximate 3% increase. The District's General fund balance increased from $3,235,849 in fiscal year 2015 to $3,513,312 in fiscal year 2016, an 8% increase.

The District enrollment increased by approximately 15 students. After lengthy disagreement in the legislature, the allowable growth for the 2015-16 fiscal year was set at 1.25% after the legislative session had concluded. A proposal of an additional $111.52 per pupil in one-time spending was agreed upon by the House and Senate and sent to the governor for his signature. However, that bill was vetoed by the governor in July 2015. The allowable growth for the 2016-17 fiscal year was set at 2.25%.

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 MOC-Floyd Valley 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 MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which MOC-Floyd Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund.

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

Figure A-1
GASB 34 MOC-Floyd Valley Community School District Annual Financial Report

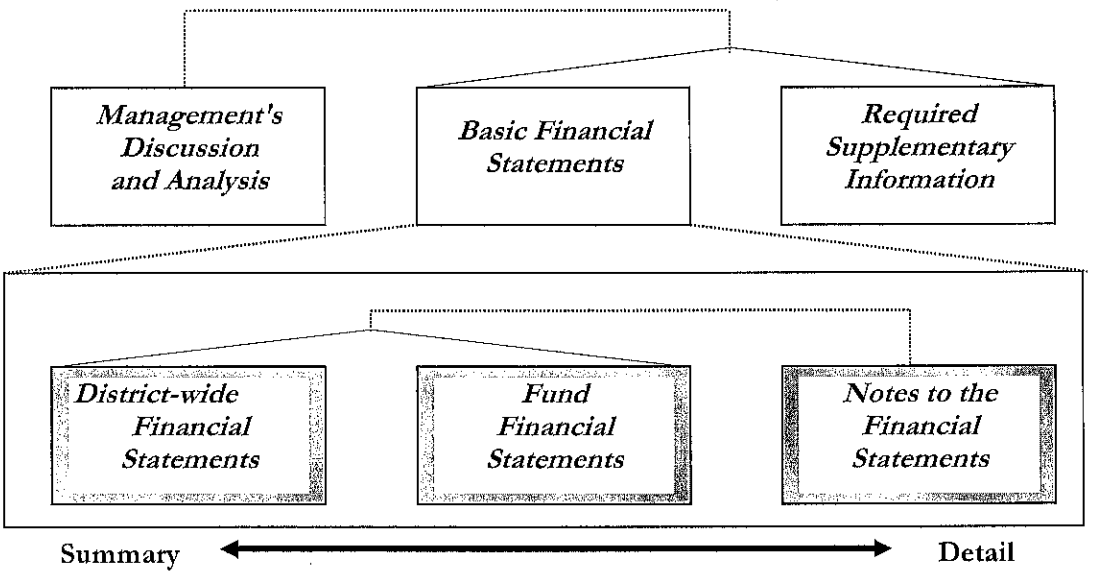

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – 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 financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

   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 government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activity, but provides 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, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds include an agency fund for the District's flex cafeteria plan for employees and an agency fund for the District's Band Parent organization.

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 this activity from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total District		Total % Change
	2016	2015 (Restated)	2016	2015	2016	2015 (Restated)	
Current and Other Assets	$ 15,610,012	$ 17,402,449	$ 294,476	$ 252,324	$ 15,904,488	$ 17,654,773	-9.9%
Capital Assets	16,340,476	13,864,904	203,904	177,707	16,544,380	14,042,611	17.8%
Total Assets	31,950,488	31,267,353	498,380	430,031	32,448,868	31,697,384	2.4%
Deferred Outflows of Resources	2,195,278	1,044,900	61,863	31,605	2,257,141	1,076,505	109.7%
Current Liabilities	2,802,870	3,026,887	21,313	16,581	2,824,183	3,043,468	-7.2%
Long-Term Liabilities	13,631,919	12,763,278	193,334	153,437	13,825,253	12,916,715	7.0%
Total Liabilities	16,434,789	15,790,165	214,647	170,018	16,649,436	15,960,183	4.3%
Deferred Inflows of Resources	7,213,047	7,188,484	48,310	62,487	7,261,357	7,250,971	0.1%
Net Position							
Net Investment in Capital Assets	9,670,811	9,618,081	203,904	177,707	9,874,715	9,795,788	0.8%
Restricted	2,263,626	1,765,486	-	-	2,263,626	1,765,486	28.2%
Unrestricted	(1,436,507)	(2,049,963)	93,382	51,424	(1,343,125)	(1,998,539)	32.8%
Total Net Position	$ 10,497,930	$ 9,333,604	$ 297,286	$ 229,131	$ 10,795,216	$ 9,562,735	12.9%

The District's total net position increased by 12.9% or approximately $1,232,000 from the prior year. The capital assets went up 17.8% which is largely due to the completion of the building projects within the District. The deferred outflows of resources saw an increase of 109.7% due to pension-related expenses.

For fiscal year 2016, long-term liabilities increased by approximately 7.0%. Considering our long-term liabilities, the bonds payable decreased from $7,801,126 to $7,336,638 due to paying off the sales tax revenue bonds. However, the net pension liability increased by $1,358,928 due to pension-related expenses.

The restricted balance increased by 28.2%. This is due to an increase in the PPEL Fund by approximately $167,197. However, the largest increase was substantially caused by the School Infrastructure fund balance.

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

Figure A-4
Changes in Net Position from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2016	2015	2016	2015	2016	2015	
Revenue:							
Program Revenue:							
Charges for Services	$ 986,802	$ 895,718	$ 513,837	$ 487,491	$ 1,500,639	$ 1,383,209	8.5%
Operating Grants and Contributions	2,737,227	2,270,424	332,994	333,558	3,070,221	2,603,982	17.9%
Capital Grants and Contributions	492,500	-	-	-	492,500	-	0.0%
General Revenues:							
Property Tax	5,122,223	5,152,235	-	-	5,122,223	5,152,235	-0.6%
Instructional Support Surtax	519,964	605,666	-	-	519,964	605,666	-14.2%
Statewide Sales, Services, and Use Tax	1,339,142	1,305,145	-	-	1,339,142	1,305,145	2.6%
Unrestricted State Grants	6,184,787	6,009,835	-	-	6,184,787	6,009,835	2.9%
Unrestricted Investment Earnings	63,360	72,421	2,971	5,589	66,331	78,010	-15.0%
Other	74,923	124,559	-	4,881	74,923	129,440	-42.1%
Transfers	22,926	16,860	(22,926)	(16,860)	-	-	0.0%
TOTAL REVENUES	17,543,854	16,452,863	826,876	814,659	18,370,730	17,267,522	6.4%
Program Expenses:							
Instruction	10,665,978	10,720,006	-	-	10,665,978	10,720,006	-0.5%
Support Services	4,477,024	3,933,714	-	-	4,477,024	3,933,714	13.8%
Non-instructions Programs	58,839	60,850	758,721	778,808	817,560	839,658	-2.6%
Other Expenses	1,177,687	924,320	-	-	1,177,687	924,320	27.4%
TOTAL EXPENSES	16,379,528	15,638,890	758,721	778,808	17,138,249	16,417,698	4.4%
Change in Net Position	1,164,326	813,973	68,155	35,851	1,232,481	849,824	45.0%
Net Position, Beginning of Year	9,333,604	8,519,631	229,131	193,280	9,562,735	8,712,911	9.8%
Net Position, End of Year	$ 10,497,930	$ 14,921,607	$ 297,286	$ 229,131	$ 10,795,216	$ 9,562,735	12.9%

Property tax, statewide sales, services and use tax, and unrestricted state grants account for 75% of the total revenue from governmental activities. The District's expenses primarily relate to instruction and support services, which account for 92% of the total governmental expenses.

As shown in Figure A-4, the District as a whole experienced a 6.4% increase in revenues and a 4.4% increase in expenses.

Governmental Activities

Revenues for governmental activities were $17,543,854 and expenses were $16,379,528 for the year ended June 30, 2016.

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

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2016	2015		2016	2015	
Instruction	$10,665,978	$10,720,006	-0.5%	$8,206,294	$8,395,976	-2.3%
Support Services	4,477,024	3,933,714	13.8%	3,901,360	3,759,608	3.8%
Non-Instructional	58,839	60,850	-3.3%	10,771	15,116	-28.7%
Other	1,177,687	924,320	27.4%	44,574	302,048	-85.2%
TOTAL	$16,379,528	$15,638,890	4.7%	$12,162,999	$12,472,748	-2.5%

- The cost financed by users of the District's programs was $986,802, an increase of $91,084 from the previous year.
- Federal and state governments subsidized certain programs with grants and contributions totaling $2,737,227, an increase of $466,803 from the prior year. The Teacher Leadership Compensation Grant began this year. The purpose of this program is to improve instruction in the classroom by mentoring teachers with more experienced teacher leaders. The hopeful result is that instruction is improved in the classroom for all students to benefit. Funding was received through the State by the form of a grant and expenditures were reflected in teacher leader salaries and benefits.
- The net cost of governmental activities was financed with $6,981,329 in property and other taxes and $6,184,787 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activity during the year ended June 30, 2016 were $824,766 representing a 1.2% increase over the prior year, while expenses totaled $756,611 a 2.9% decrease over the prior year. The District's business type activity is the School Nutrition Fund. Revenues for this activity were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program and receives revenue from that entity for these services.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley 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 a combined fund balance of $6,695,596 a decrease over last year's ending fund balances of $ 8,719,403, a difference of $2,023,807. The balance reflects a decrease of $2,524,898 in the Capital Projects Fund balance. In the prior year, the

District issued $8,213,864 in sales tax revenue bonds to make improvements throughout the District. As the improvements were made, the balance in that fund decreased. Some of the completed improvements include renovations at the high school in the areas of a new boiler, the fire alarm system, science classroom additions, library, family and consumer science, and auditorium renovations. Orange City Elementary had renovations made to the gym, front entrance, and replaced the wood over classroom windows. Renovations at Hospers Elementary included updating the gym and adding playground concrete. The middle school renovations included updating the gym, refinishing the old gym floor, and converting two computer labs into classrooms.

The General Fund increased by $277,463 mainly due to a smaller than usual increase in expenditures of only 3%

Governmental Fund Highlights

- The increase in the General Fund balance is due to a decrease in the cost of natural gas and transportation fuel. Also, the District spent $76,000 less on equipment during the year.

- The District completed the majority of the projects financed through the $8,213,864 sales tax revenue bond which made improvements to all of the buildings within the District. With the money remaining from the bond sale, a lower level renovation at the middle school will be completed to house 6 classrooms.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from $229,131 at June 30, 2015, to $297,286 at June 30, 2016. The District received additional reimbursement for Severe Need Breakfast. Hospers Elementary was classified as a severe need school based upon free and reduced numbers. Lunch prices increased by seven cents per meal, as mandated by the National School Lunch Program, while breakfast prices remained the same. Sales of services to the Day Care increased.

- The District initiated a Split Funding program for its health insurance needs during the 2010-11 fiscal year. A $2,500 deductible health insurance policy is purchased from Wellmark. The District then self-funds the deductible down to the $750 or $1,500 deductible plans that are offered to district employees. Revenues increased by $16,842 from $187,354 in 2014-15 to $204,196 in 2015-16. Expenditures increased by $5,990 from $93,601 in 2014-15 to $99,591 in 2015-16. The reason for this increase is due increase in health insurance claims. Benefits for 2015-16 increased from the prior year by $6,265. After the first year, a savings of $93,924 was realized, $161,251 after the second year, $251,011 after the third year, $293,080 after the fourth year, and a total of $386,833 after the fifth year. The balance as of June 30, 2016 is $491,438.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the accrual basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the required supplementary information section of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested $29,385,912 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for governmental funds for the year was $820,775 and $24,605 for Food Service Operations.

Figure A-6
Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2016	2015	2016	2015	2016	2015	
Land	$ 337,624	$ 337,624	$ -	$ -	$ 337,624	$ 337,624	0.0%
Const. in Progress	1,212,149	3,201,304	-	-	1,212,149	3,201,304	-62.1%
Buildings	23,629,731	18,505,733	-	-	23,629,731	18,505,733	27.7%
Improvements other than buildings	786,097	758,468	-	-	786,097	758,468	3.6%
Furniture and Equipment	3,069,169	3,044,265	351,142	300,873	3,420,311	3,345,138	2.2%
Total Assets	$ 29,034,770	$ 25,847,394	$ 351,142	$ 300,873	$ 29,385,912	$ 26,148,267	12.4%

Long-Term Debt

At year end, the District had $7,801,126 in SILO Revenue bonds outstanding, $16,035 in compensated absences, $26,593 in net OPEB liability and $6,252,653 in net pension liability. The compensated absences are $4,210 and net pension liability is $189,124 for food service.

Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District enrollment for 2015-16 increased by approximately 15 students. The enrollment for the 2016-17 school year shows a decrease of about 7 students. In addition, the number of students open-enrolled out increased from 53 to 67 and the number open-enrolled in decreased from 52 – 49. This is a net decrease of 17 students.

- Allowable growth was set at 1.25% for the 2015-16 fiscal year. The allowable growth for 2016-17 was set at 2.25% and has not been set for the 2017-18 fiscal year (The Governor has proposed 2.0% and the Legislature has promised to establish the rate within the first 30 days of the legislative session).

- The communities are in need of expanding the local workforce. The City of Orange City has several housing initiatives underway. The Orange City Area Day Care Center new addition opened in January 2016.

- The City of Orange City has hired personnel to specifically focus on economic development and community growth.

- A new Hampton Inn has been built, located near the newly built Prairie Winds Event Center. A new Casey's General Store has been built, near the Hampton Inn. A new strip mall in that same area has been opened.

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 Kim Dykstra, District Secretary and Business Manager, MOC-Floyd Valley Community School District, 709 8th Street SE, Orange City, Iowa 51041.

BASIC FINANCIAL STATEMENTS

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Pooled Investments	$ 8,871,193	$ 266,958	$ 9,138,151
Receivables:			
Property Tax	44,173	-	44,173
Succeeding Year Property Tax	5,615,856	-	5,615,856
Income Surtax	489,868	-	489,868
Accounts	13,982	13,524	27,506
Due From Other Governments	515,678	-	515,678
Restricted Assets:			
Cash and Pooled Investments	59,262	-	59,262
Inventories	-	13,994	13,994
Land	337,624	-	337,624
Construction in Progress	1,212,149	-	1,212,149
Capital Assets, Net of Accumulated Depreciation	14,790,703	203,904	14,994,607
Total Assets	31,950,488	498,380	32,448,868
Deferred Outflows of Resources			
Pension Related Deferred Outflows	2,195,278	61,863	2,257,141
Liabilities			
Accounts Payable	729,255	7,675	736,930
Salaries and Benefits Payable	1,587,999	978	1,588,977
Accrued Interest Payable	21,128	-	21,128
Unearned Revenue	-	12,660	12,660
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	464,488	-	464,488
Portion Due After One Year:			
Accrued Compensated Absences	16,035	4,210	20,245
Bonds Payable	7,336,638	-	7,336,638
Net Pension Liability	6,252,653	189,124	6,441,777
Net OPEB Liability	26,593	-	26,593
Total Liabilities	16,434,789	214,647	16,649,436
Deferred Inflows of Resources			
Unavailable Revenue:			
Succeeding Year Property Tax	5,615,856	-	5,615,856
Pension Related Deferred Inflows	1,597,191	48,310	1,645,501
Total Deferred Inflows of Resources	7,213,047	48,310	7,261,357
Net Position			
Net Investment in Capital Assets	9,670,811	203,904	9,874,715
Restricted For:			
Categorical Funding	233,931	-	233,931
Debt Service	38,134	-	38,134
School Infrastructure	1,014,643	-	1,014,643
Physical Plant and Equipment Levy	501,188	-	501,188
Student Activities	158,749	-	158,749
Management Levy	316,981	-	316,981
Unrestricted	(1,436,507)	93,382	(1,343,125)
Total Net Position	$ 10,497,930	$ 297,286	$ 10,795,216

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	$ 7,477,838	$ 349,863	$ 1,111,071	$ -
Special Instruction	1,949,364	157,800	406,564	-
Other Instruction	1,238,776	400,996	33,390	-
Support Services:				
Student Services	338,320	-	-	-
Instructional Staff Services	1,080,513	-	439,034	-
Administration Services	1,217,497	-	-	-
Operation and Maintenance	1,248,970	30,075	-	-
Transportation Services	591,724	-	106,555	-
Non-Instructional Programs:	58,839	48,068	-	-
Other Expenditures:				
Facilities Acquisition	276,800	-	-	492,500
Long-term Debt Interest	260,274	-	-	-
AEA Flowthrough	640,613	-	640,613	-
Total Governmental Activities	16,379,528	986,802	2,737,227	492,500
Business-Type Activities:				
Non-instructional Programs:				
Nutrition Services	758,721	513,837	332,994	-
Total Business-Type Activities	758,721	513,837	332,994	-
Total School District	$ 17,138,249	$ 1,500,639	$ 3,070,221	$ 492,500

General Revenues:
Property Tax Levied For:
General Purposes
Capital Outlay
Instructional Support Surtax
Statewide Sales and Services Tax
Unrestricted State Grants
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues & Transfers
Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to Financial Statements

Governmental Activities	Business-Type Activities	Total
$ (6,016,904)		$ (6,016,904)
(1,385,000)		(1,385,000)
(804,390)		(804,390)
(338,320)		(338,320)
(641,479)		(641,479)
(1,217,497)		(1,217,497)
(1,218,895)		(1,218,895)
(485,169)		(485,169)
(10,771)		(10,771)
215,700		215,700
(260,274)		(260,274)
-		-
(12,162,999)		(12,162,999)
-	88,110	88,110
-	88,110	88,110
(12,162,999)	88,110	(12,074,889)
4,938,102	-	4,938,102
184,121	-	184,121
519,964	-	519,964
1,339,142	-	1,339,142
6,184,787	-	6,184,787
63,360	2,971	66,331
74,923	-	74,923
22,926	(22,926)	-
13,327,325	(19,955)	13,307,370
1,164,326	68,155	1,232,481
9,333,604	229,131	9,562,735
$ 10,497,930	$ 297,286	$ 10,795,216

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Assets				
Cash and Pooled Investments	$ 5,113,216	$ 2,276,871	$ 981,626	$ 8,371,713
Receivables:				
Property Tax	41,000	-	3,173	44,173
Succeeding Year Property Tax	5,113,618	-	502,238	5,615,856
Income Surtax	489,868	-	-	489,868
Accounts	13,614	-	368	13,982
Due From Other Governments	295,626	220,052	-	515,678
Restricted Assets:				
Cash and Pooled Investments	-	-	59,262	59,262
Total Assets	11,066,942	2,496,923	1,546,667	15,110,532
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	362,145	350,819	8,249	721,213
Salaries and Benefits Payable	1,587,999	-	-	1,587,999
Total Liabilities	1,950,144	350,819	8,249	2,309,212
Deferred Inflows of Resources				
Unavailable Revenue -				
Succeeding Year Property Tax	5,113,618	-	502,238	5,615,856
Succeeding Year Income Surtax	489,868	-	-	489,868
	5,603,486	-	502,238	6,105,724
Fund Balances:				
Restricted for:				
Categorical Funding	233,931	-	-	233,931
Debt Service	-	-	59,262	59,262
School Infrastructure	-	2,146,104	-	2,146,104
Student Activities	-	-	158,749	158,749
Management Levy	-	-	316,981	316,981
Physical Plant and Equipment	-	-	501,188	501,188
Unassigned	3,279,381	-	-	3,279,381
Total Fund Balances	3,513,312	2,146,104	1,036,180	6,695,596
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,066,942	$ 2,496,923	$ 1,546,667	$ 15,110,532

See Accompanying Notes to Financial Statements

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

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)		$ 6,695,596
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		16,340,476
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(21,128)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:		
Current assets	499,480	
Accounts payable	(8,042)	491,438
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.		489,868
Accrued compensated absences not reported on the modified accrual basis.		(16,035)
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 as assets and liabilities in the governmental funds, as follows:		
Deferred outflows of resources	2,195,278	
Deferred inflows of resources	(1,597,191)	598,087
Long-term liabilities, including bonds payable, net pension liability and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported on the governmental funds.		
Revenue bonds	(7,801,126)	
Net pension liability	(6,252,653)	
Net OPEB liability	(26,593)	(14,080,372)
Total Net Position - Governmental Activities (page 16)		$ 10,497,930

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues:				
Local Sources:				
Local Tax	$ 5,349,943	$ 1,339,142	$ 384,104	$ 7,073,189
Tuition	352,211	-	-	352,211
Other	257,360	506,463	403,979	1,167,802
State Sources	8,486,988	-	7,685	8,494,673
Federal Sources	524,913	-	-	524,913
Total Revenues	14,971,415	1,845,605	795,768	17,612,788
Expenditures:				
Current:				
Instruction:				
Regular Instruction	7,124,476	60,536	30,136	7,215,148
Special Instruction	2,003,739	-	-	2,003,739
Other Instruction	836,080	-	351,558	1,187,638
Support Services:				
Student Services	348,768	-	1,073	349,841
Instructional Staff Services	939,821	96,907	38,027	1,074,755
Administration Services	1,195,974	-	11,317	1,207,291
Operation and Maintenance	1,095,216	45,025	96,795	1,237,036
Transportation Services	485,461	41,629	29,657	556,747
Non-Instructional Programs	46,730	-	13,577	60,307
Other Expenditures:				
Facilities Acquisition	-	3,452,276	-	3,452,276
Long Term Debt:				
Principal	-	-	412,738	412,738
Interest and Fiscal Charges	-	-	261,392	261,392
AEA Flowthrough	640,613	-	-	640,613
Total Expenditures	14,716,878	3,696,373	1,246,270	19,659,521
Excess (Deficiency) of Revenues Over (Under) Expenditures	254,537	(1,850,768)	(450,502)	(2,046,733)
Other Financing Sources (Uses):				
Transfers In	22,926	-	674,130	697,056
Transfers Out	-	(674,130)	-	(674,130)
Total Other Financing Sources (Uses)	22,926	(674,130)	674,130	22,926
Net Change in Fund Balances	277,463	(2,524,898)	223,628	(2,023,807)
Fund Balances - Beginning of Year	3,235,849	4,671,002	812,552	8,719,403
Fund Balances - End of Year	$ 3,513,312	$ 2,146,104	$ 1,036,180	$ 6,695,596

See Accompanying Notes to Financial Statements

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

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

Net Change in Fund Balances - Total Governmental Funds (page 21)		$ (2,023,807)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	3,297,709	
Depreciation expense	(820,775)	2,476,934
Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the Statement of Activities repors the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the Statement of Activities.		(1,362)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.		412,738
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,118
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are recorded as a deferred outflow of resources in the Statement of Net Position.		823,391
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds, as follows:		
Pension expense	(523,333)	
Net OPEB liability	(11,518)	(534,851)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:		(2,580)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.		(91,860)
Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net loss of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.		
Change in net position		104,605
Change in Net Position - Governmental Activities (page 18)		$ 1,164,326

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business Type Activity	Governmental Activities
	Nonmajor Nutrition Fund	Internal Service Funds
Assets		
Current Assets:		
Cash and Pooled Investments	$ 266,958	$ 499,480
Accounts Receivable	13,524	-
Inventories	13,994	-
Total Current Assets	294,476	499,480
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	203,904	-
Total Assets	498,380	499,480
Deferred Outflows of Resources		
Pension Related Deferred Outflows	61,863	-
Liabilities		
Current Liabilities:		
Accounts Payable	7,675	8,042
Accrued Payroll	978	-
Unearned Revenues	12,660	-
Total Current Liabilities	21,313	8,042
Noncurrent Liabilities:		
Accrued Compensated Absences	4,210	-
Net Pension Liability	189,124	-
Total Noncurrent Liabilities	193,334	-
Total Liabilities	214,647	8,042
Deferred Inflow of Resources		
Pension Related Deferred Inflows	48,310	-
Net Position		
Net Investment in Capital Assets	203,904	-
Unrestricted	93,382	491,438
Total Net Position	$ 297,286	$ 491,438

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activity	Governmental Activities
	Nonmajor Nutrition Fund	Internal Service Funds
Operating Revenues:		
Charges for Services	$ 513,470	$ 200,002
Miscellaneous	4,359	-
Total Operating Revenue	517,829	200,002
Operating Expenses:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	258,816	-
Benefits	47,601	-
Food	398,119	-
Purchased Services	17,715	-
Supplies	5,550	-
Other	4,205	-
Depreciation	24,605	-
Other Enterprise Operations:		
Benefits	-	81,527
Purchased Services	-	18,064
Total Operating Expense	756,611	99,591
Operating Income (Loss)	(238,782)	100,411
Non-Operating Revenues (Expenses):		
Interest Income	2,971	4,194
State Sources	5,961	-
National School Lunch Program	264,513	-
Federal Food Commodities Received	58,528	
Loss on Sale of Assets	(2,110)	-
Total Non-Operating Revenue	329,863	4,194
Change in Net Position Before Transfers	91,081	104,605
Transfers Out	(22,926)	-
Change in Net Position After Transfers	68,155	104,605
Net Position - Beginning of Year	229,131	386,833
Net Position - End of Year	$ 297,286	$ 491,438

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activities	Governmental Activities:
	School Nutrition Fund	Internal Service Funds
Cash Flows From Operating Activities		
Cash Received from Customers	$ 509,744	$ -
Other Operating Receipts	4,359	200,002
Cash Payments for Goods and Services	(357,650)	(109,170)
Cash Payments for Salaries and Benefits	(310,772)	-
Net Cash Provided (Used) by Operating Activities	(154,319)	90,832
Cash Flows From Non-Capital Financing Activities		
State Grants Received	5,961	-
Federal Grants Received	264,513	-
Net Cash Provided by Non-Capital Financing Activities	270,474	-
Cash Flows From Capital and Related Financing Activities		
Transfers and Contributions	(22,926)	-
Acquisition of Capital Assets	(52,910)	-
Net Cash (Used) by Capital and Related Financing Activities	(75,836)	-
Cash Flows From Investing Activities:		
Interest on Investments	2,971	4,194
Net Cash Provided by Investing Activities	2,971	4,194
Net Increase In Cash and Pooled Investments	43,290	95,026
Cash and Pooled Investments At Beginning of Year	223,668	404,454
Cash and Pooled Investments At End of Year	$ 266,958	$ 499,480
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	$ (238,782)	$ 100,411
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	24,605	-
Commodities Used	58,528	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	(4,087)	-
Inventories	5,224	-
Deferred Outflows	(30,258)	-
Accounts Payable	4,187	(9,579)
Accrued Salaries and Benefits	183	-
Unearned Revenue	361	-
Net Pension Liability	39,897	-
Deferred Inflows	(14,177)	-
Net Cash Provided (Used) by Operating Activities	$ (154,319)	$ 90,832
Non-Cash Investing, Capital and Financing Activities:		
Federal Food Commodities Received	$ 58,528	

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2016

	2016
Assets	
Cash and Pooled Investments	$ 114,396
Total Assets	114,396
Liabilities	
Other Payables	114,396
Total Liabilities	114,396
Net Position	$ -

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. 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, MOC-Floyd Valley 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. MOC-Floyd Valley 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 Sioux County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 revenues 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 expenditures, including instructional, support and other costs.

The Capital Projects – Statewide Sales, Services, and Use Tax Fund is used to account for property tax levy per thousand dollars of assessed valuation in the District for the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

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

Additionally, the District reports the following fund types:

Internal Service Fund – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

Fiduciary Funds – Fiduciary Funds focus on net position and changes in net position. The District's fiduciary funds are as follows:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Flex Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

Band Parents Agency Fund – This fund is used to account for assets held by the District as an agent for this private organization.

C. Basis of Accounting/Measurement Focus

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. When expenses can be paid using multiple funding sources, the District's policy is to first apply towards restricted fund balance where applicable.

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 financial sources.

Under the 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 restricted 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

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

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

Prepaid Expenses – Certain payments to venders reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, furniture 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 repair 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 $2,000 for governmental capital assets and $500 for school nutrition capital assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

Unearned Revenue – Unearned revenue in the Statement of Net Position consists of unused hot lunch revenue.

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.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on a flat dollar amount per day. The compensated absences liability attributable to the governmental activities will be paid primarily 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, the 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 a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted.

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.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions; however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District had no investments as of June 30, 2016 meeting the definition of GASB Statement 40 or 72.

NOTE 3 – INTERFUND TRANSFERS

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

Transfer To	Transfer From	Amount
Debt Service	Capital Project – Statewide Sales, Services, and Use Tax	$ 674,130
General Fund	School Nutrition Fund	$ 22,926

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

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 337,624	$ -	$ -	$ 337,624
Construction in Progress	3,201,304	3,037,067	5,026,222	1,212,149
Total capital assets not being depreciated	3,538,928	3,037,067	5,026,222	1,549,773
Capital assets being depreciated:				
Buildings	18,505,733	5,127,984	3,986	23,629,731
Improvements other than buildings	758,468	56,170	28,541	786,097
Furniture and equipment	3,044,265	137,129	112,225	3,069,169
Total assets being depreciated	22,308,466	5,321,283	144,752	27,484,997
Less: Accumulated Depreciation for:				
Buildings	9,210,021	16,552	28,191	9,198,382
Improvements other than buildings	683,205	569,222	2,974	1,249,453
Furniture and equipment	2,089,264	235,001	77,806	2,246,459
Total Accumulated depreciation	11,982,490	820,775	108,971	12,694,294
Total capital assets being depreciated, net	10,325,976	4,500,508	35,781	14,790,703
Governmental activities capital assets, net	$ 13,864,904	$ 7,537,575	$ 5,062,003	$ 16,340,476

Construction in progress as of June 30, 2016 consists of costs associated with the baseball and softball complex and the middle school basement remodel.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business Type Activities				
Furniture and equipment	$ 300,873	$ 52,910	$ 2,641	$ 351,142
Less: Accumulated depreciation	123,166	24,605	533	147,238
Business-type activities capital assets, net	$ 177,707	$ 28,305	$ 2,108	$ 203,904

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the functions as follows:

Governmental Activities		
Regular Instruction	$	487,510
Special Instruction		3,132
Other Instruction		90,435
Instructional Staff Services		42,127
Administration Services		45,384
Operation and Maintenance		66,932
Transportation Services		85,255
Total Depreciation Expense - Governmental Activities	$	820,775
Business-type Activities		
Food Service Operations	$	24,605

Reconciliation of Investments in Capital Assets:	**Governmental Activities**	**Business-type Activity**
Land	$ 337,624	$ -
Construction in Progress	1,212,149	-
Unspent Cash on Bond Issue	1,131,461	-
Capital Assets (net of accumulated depreciation)	14,790,703	203,904
Less: Bonds Payable	7,801,126	-
Net Investment in Capital Assets	$ 9,670,811	$ 203,904

NOTE 5 – PENSION PLAN

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

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

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time 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).

NOTE 5 – PENSION PLAN (CONTINUED)

- 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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The District's total contributions to IPERS for the year ended June 30, 2016 were $843,758.

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 $6,441,777 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 0.129576 percent, which was an increase of .003983 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $539,907. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5 – PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 97,327	$ -
Changes of assumptions	177,358	-
Net difference between projected and actual earnings on pension plan investments	963,817	1,499,942
Changes in proportion and difference between District contributions and proportionate share of contributions	174,881	145,559
District contributions subsequent to the measurement date	843,758	-
Total	$ 2,257,141	$ 1,645,501

$843,758 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	$ (182,370)
2018	(182,370)
2019	(182,370)
2020	301,045
2021	13,947
	$ (232,118)

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 percent per annum base on 3.00 percent inflation and 1.00 percent 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 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

NOTE 5 – PENSION PLAN (CONTINUED)

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount rate – The discount rate used to measure the total pension liability was 7.50 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 (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	$ 11,278,392	$ 6,441,777	$ 2,359,326

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

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Retired participants must be age 55 or older at retirement.

The health insurance is provided through a partially self-funded plan through Wellmark and administered by Three Rivers Benefit Corporation. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), 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 thirty years.

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

Annual required contribution	$ 26,804
Interest on net OPEB obligation	565
Adjustment to annual required contribution	(830)
Annual OPEB cost (Expense)	26,539
Contributions made	(15,021)
Increase in net OPEB obligation	11,518
Net OPEB obligation - beginning of year	15,075
Net OPEB obligation - end of year	$ 26,593

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2015. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the estimated 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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 26,539	56.60%	$ 26,593
2015	$ 9,552	107.27%	$ 15,075
2014	$ 9,466	107.27%	$ 18,264
2013	$ 9,450	107.27%	$ 21,804
2012	$ 17,500	42.84%	$ 22,491
2011	$ 17,500	42.84%	$ 14,994

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, 2018, the actuarial accrued liability was $224,839, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $224,839. The covered payroll (annual payroll of the active employees covered by the plan) was approximately $8,006,745 and

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

the ratio of the UAAL to covered payroll was 2.81%. 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 healthcare 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 the 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 that are designed to reduce the effect 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 projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate. An inflation rate of 2.75% is assumed for the purpose of this computation. Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by the District. Assumptions do not include any growth or decline in payroll per annum. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis for 30 years.

NOTE 7 – LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds	$ 8,213,864	$ -	$ 412,738	$ 7,801,126	$ 464,488
Compensated Absences	13,455	2,580	-	16,035	-
Net Pension Liability	4,933,622	1,319,031	-	6,252,653	-
Net OPEB Liability	15,075	11,518	-	26,593	-
Total Long-Term Liabilities	$ 13,176,016	$ 1,333,129	$ 412,738	$ 14,096,407	$ 464,488
Business Type Activities:					
Compensated Absences	$ 4,210	$ -	$ -	$ 4,210	$ -
Net Pension Liability	149,227	39,897	-	189,124	-
Total Long-Term Liabilities	$ 153,437	$ 39,897	$ -	$ 193,334	$ -

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

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

Year Ending June 30,	Bond Issue of July 1, 2014			
	Interest Rates	Principal	Interest	Total
2017	3.25%	$ 464,488	$ 246,658	$ 711,146
2018	3.25	479,811	231,335	711,146
2019	3.25	495,639	215,507	711,146
2020	3.25	511,989	199,157	711,146
2021	3.25	528,879	182,267	711,146
2022-2026	3.25	2,917,901	637,930	3,555,831
2027-2030	3.25	2,402,419	145,853	2,548,272
	Total	$ 7,801,126	$ 1,858,707	$9,659,833

The District has pledged future statewide sales, services, and use tax revenues to repay the revenue bonds issued in July, 2014. The bonds were issued for the purpose of refunding the remaining portion of the 2012 revenue bonds which matured July 1, 2015 and for the purpose of financing the construction costs associated with various improvements and renovation projects. The bonds are payable solely from the proceeds of the statewide sales, services, and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require the majority of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is $9,659,833. For the current year, $674,130 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were $1,339,142.

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

1. The proceeds from the issuance of the revenue bonds shall be deposited to the project account.
2. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
3. Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
4. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2016.

NOTE 8 – RISK MANAGEMENT

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

NOTE 9 – 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 $640,613 for the year ended June 30, 2016 and is recorded in the General Fund.

NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established during fiscal year 2011 to account for the partial self-funding of the District's prescription drug benefit and health insurance plans. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The District assumed liability for co-pay amounts of $5 to $20 for prescription drugs and $500 to $1,000 for health insurance depending on the coverage selected by the employee.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

	2016	2015
Claims Payable, beginning of year	$ 17,621	$ 3,554
Claims Paid	(91,106)	(61,195)
Claims Incurred	81,527	75,262
Claims Payable, end of year	$ 8,042	$ 17,621

NOTE 11 – CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Four-year-old Preschool State Aid	$ 108,128
Early Literacy Implementation	49,643
Professional Development for Model Core Curriculum	66,484
Educator Quality Professional Development	3,238
Talented and Gifted	6,438
Total	$ 233,931

NOTE 12 – CONSTRUCTION COMMITMENT

As of June 30, 2016, the District had construction contracts outstanding totaling $1,131,931 of which approximately $896,349 has been expended to date. The remaining balance will be paid as work progresses.

NOTE 13 – OPERATING LEASES

The District has leases three copiers with Glenn's Leasing for $132 per month until January 2018, Toshiba for $525 per month until December 2017, and Office Systems Co. for $702 per month until November 2017. Additional fees apply for maintenance and additional copies. The District also has a laptop lease with Dell for $4,235 per month through August 2018. These leases have been classified as operating leases and, accordingly, all payments are expensed as incurred.

NOTE 13 – OPERATING LEASES (Continued)

The following is a schedule by year of future minimum rental payments required for the operating leases:

Year Ending June 30,	Amount
2017	$ 67,129
2018	57,571
2019	4,235
	$128,935

NOTE 14 – CORRECTION OF AN ERROR

In the current year, it was discovered that the classifications of net position for Governmental activities as of June 30, 2015 were incorrectly allocated due to the allocation of unspent bond proceeds. As required by Generally Accepted Accounting Principles, these amounts were restated causing restricted net assets to increase by $703,961 and net investment in capital assets to decrease by $703,961 for June 30, 2015.

As previously reported:	2015
Net Position:	
Net Investment in Capital Assets	$ 10,322,042
Restricted	1,061,525
Unrestricted	(2,049,963)
	$ 9,333,604

As corrected/restated:	2015
Net Position:	
Net Investment in Capital Assets	$ 9,618,081
Restricted	1,765,486
Unrestricted	(2,049,963)
	$ 9,333,604

REQUIRED SUPPLEMENTARY INFORMATION

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts:					
Local Sources:					
Local Taxes	$ 7,073,189	$ -	$ 7,073,189	$ 5,690,529	$ 1,382,660
Tuition	352,211	-	352,211	391,904	(39,693)
Other	1,167,802	520,800	1,688,602	1,077,079	611,523
Intermediate Sources	-	-	-	-	-
State Sources	8,494,673	5,961	8,500,634	10,021,692	(1,521,058)
Federal Sources	524,913	323,041	847,954	840,118	7,836
Total Receipts	17,612,788	849,802	18,462,590	18,021,322	441,268
Expenditures:					
Instruction	10,406,525	-	10,406,525	11,099,043	692,518
Support Services	4,425,670	-	4,425,670	4,637,457	211,787
Non-instructional Programs	60,307	758,721	819,028	967,917	148,889
Other Expenditures	4,767,019	-	4,767,019	7,819,973	3,052,954
Total Expenditures	19,659,521	758,721	20,418,242	24,524,390	4,106,148
Excess (Deficiency) of Revenues Over Expenditures	(2,046,733)	91,081	(1,955,652)	(6,503,068)	4,547,416
Other Financing Sources (Uses):					
Sale of Fixed Assets	-	-	-	1,000	(1,000)
Long Term Debt Proceeds	-	-	-	150,000	(150,000)
Transfers In	697,056	-	697,056	761,146	(64,090)
Transfers Out	(674,130)	(22,926)	(697,056)	(761,146)	64,090
Total Other Financing Sources (Uses)	22,926	(22,926)	-	151,000	(151,000)
Net Change in Fund Balances	(2,023,807)	68,155	(1,955,652)	(6,352,068)	4,396,416
Fund Balance at Beginning of Year	8,719,403	229,131	8,948,534	8,948,534	-
Fund Balance at End of Year	$ 6,695,596	$ 297,286	$ 6,992,882	$ 2,596,466	$ 4,396,416

See Accompanying Independent Auditors' Report

The budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 the internal service fund and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
District's proportion of the net pension liability	0.129576%	0.125593%
District's proportionate share of the net pension liability	$ 6,442	$ 5,083
District's covered-employee payroll	$ 8,925	$ 8,231
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.18%	61.75%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

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

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

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST 10 FISCAL YEARS (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015	2014	2013	2012
Statutorily required contribution	$ 844	$ 797	$ 735	$ 727	$ 648
Contributions in relation to the statutorily required contribution	(844)	(797)	(735)	(727)	(648)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 9,451	$ 8,925	$ 8,231	$ 8,385	$ 8,030
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%

	2011	2010	2009	2008	2007
Statutorily required contribution	$ 559	$ 534	$ 494	$ 430	$ 387
Contributions in relation to the statutorily required contribution	(559)	(534)	(494)	(430)	(387)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 8,043	$ 8,030	$ 7,780	$ 7,107	$ 6,730
Contributions as a percentage of covered-employee payroll	6.95%	6.65%	6.35%	6.05%	5.75%

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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2016

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	7/1/2009	$ -	$ 190,458	$ 190,458	0%	$ 6,000,000	3.17%
2012	7/1/2009	$ -	$ 190,458	$ 190,458	0%	$ 6,500,000	2.93%
2013	7/1/2012	$ -	$ 114,520	$ 114,520	0%	$ 6,700,000	1.71%
2014	7/1/2012	$ -	$ 114,520	$ 114,520	0%	$ 6,900,000	1.66%
2015	7/1/2012	$ -	$ 114,520	$ 114,520	0%	$ 7,200,000	1.59%
2016	7/1/2015	$ -	$ 224,839	$ 224,839	0%	$ 8,006,745	2.81%

See Note 6 to the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, and the funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1

REVENUES:		
Local Sources:		
Local Tax:		
Property Tax	$	4,683,598
Mobile Home Tax		2,607
Utility Tax Replacement Excise Tax		51,914
Surtax		611,824
		5,349,943
Other Local Sources:		
Interest on Investments		42,851
Tuition from Individuals		37,400
Tuition from Other Districts		314,811
Rent		30,075
Sharing Agreements		79,049
Miscellaneous		105,385
		609,571
		5,959,514
State Sources:		
State Foundation Aid		6,995,669
Teacher Leadership Grants		439,034
Successful Progression for Early Readers Grant		23,587
Beginning Teacher Mentoring Program		5,492
Non-Public Transportation Aid		94,875
Non-Public Textbook and Technology Aid		11,680
Vocational Education Aid		11,103
AEA Flow-Through		640,613
Iowa Early Intervention		88,149
Revenue in lieu of taxes		84,831
Other State Aid		91,955
		8,486,988
Federal Sources:		
Title I Grants to Local Educational Agencies		149,012
Improving Teacher Quality State Grants		44,656
Career and Technical Education - Basic Grants to States		12,588
AIDS Education		223
Special Education Pass-Through - IDEA Grant		82,812
English Language Acquisition Grants		9,700
Title VI Grants for Assessments and Related Activities		5,520
Medicaid		220,402
		524,913
Total Revenue	$	14,971,415

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1

EXPENDITURES:		
Instruction:		
Regular Instruction:		
Salaries	$	4,939,828
Benefits		1,400,007
Services		575,352
Supplies		190,475
Property		18,814
		7,124,476
Special Education Instruction:		
Salaries		1,400,902
Benefits		342,912
Services		230,987
Supplies		23,130
Property		5,808
		2,003,739
Vocational Instruction:		
Salaries		339,769
Benefits		94,630
Services		5,182
Supplies		17,418
Property		6,221
		463,220
Co-curricular Instruction:		
Salaries		295,338
Benefits		56,390
Services		9,451
		361,179
Nonpublic Instruction:		
Supplies		11,681
		11,681
Total Instruction	$	9,964,295

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1

Support Services:		
Student Services:		
Guidance Services:		
Salaries	$	226,414
Benefits		62,156
Services		2,005
Supplies		590
		291,165
Health Services:		
Salaries		41,574
Benefits		13,789
Services		1,117
Supplies		1,123
		57,603
Total Student Services		348,768
Support Services:		
Instructional Staff Services:		
Improvement of Instruction Services:		
Salaries		343,773
Benefits		86,337
Services		18,947
Supplies		3,192
		452,249
Educational Media Services:		
Salaries		182,626
Benefits		40,827
Services		2,100
Supplies		23,068
		248,621
Other Instructional Staff Support Services:		
Salaries		103,517
Benefits		30,783
Services		51,131
Supplies		53,520
		238,951
Total Instructional Staff Services	$	939,821

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1

Support Services (Continued):		
Administration Services:		
Executive Administration:		
Salaries	$	169,061
Benefits		52,515
Services		10,151
Supplies		3,926
Other		175
		235,828
School Administration:		
Salaries		567,427
Benefits		194,344
Services		10,291
Supplies		2,046
Other		89
		774,197
Business Administration:		
Salaries		81,706
Benefits		27,916
Services		18,787
Supplies		32
Other		342
		128,783
Board of Education:		
Services		43,379
Supplies		3,863
Other		9,924
		57,166
Total Administration Services:		1,195,974
Plant Operation and Maintenance:		
Salaries		425,571
Benefits		112,732
Services		217,717
Supplies		332,659
Property		6,537
	$	1,095,216

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 1

Support Services (Continued):		
Student Transportation:		
Salaries	$	244,236
Benefits		48,354
Services		122,865
Supplies		67,861
Other		2,145
		485,461
Total Support Services		4,065,240
Non-instructional Programs:		
Community Services:		
Salaries		34,152
Benefits		12,578
		46,730
Other Expenditures:		
AEA Flow-Through		640,613
Total Expenditures		14,716,878
Excess of Revenues Over Expenditures		254,537
Other Financing Sources (Uses):		
Transfers From Other Funds		22,926
Total Other Financing Sources (Uses)		22,926
Net Change in Fund Balance		277,463
Fund Balance - Beginning of Year		3,235,849
Fund Balance - End of Year	$	3,513,312

See Accompanying Independent Auditors' Report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2016

Schedule 2

	Special Revenue		Debt Service	Capital Projects	
	Management Levy	Student Activity	Debt Service	Physical Plant and Equipment	Total
Assets					
Cash and Pooled Investments	$ 315,070	$ 165,932	$ -	$ 500,624	$ 981,626
Receivables:					
Property Tax	1,739	-	-	1,434	3,173
Succeeding Year Property Tax	300,000	-	-	202,238	502,238
Accounts	368	-	-	-	368
Restricted Assets:					
Cash and Pooled Investments	-	-	59,262	-	59,262
Total Assets	617,177	165,932	59,262	704,296	1,546,667
Liabilities					
Accounts Payable	196	7,183	-	870	8,249
Total Liabilities	196	7,183	-	870	8,249
Deferred Inflows of Resources					
Unavailable revenues:					
Succeeding Year Property Tax	300,000	-	-	202,238	502,238
Fund Balance					
Restricted:					
Debt Service	-	-	59,262	-	59,262
Student Activities	-	158,749	-	-	158,749
Management Levy	316,981	-	-	-	316,981
Physical Plant and Equipment	-	-	-	501,188	501,188
Total Fund Balance	316,981	158,749	59,262	501,188	1,036,180
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 617,177	$ 165,932	$ 59,262	$ 704,296	$ 1,546,667

See Accompanying Independent Auditors' Report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

	Special Revenue		Debt Service	Capital Projects	
	Management Levy	Student Activity	Debt Service	Physical Plant and Equipment	Total
Revenues:					
Local Sources:					
Local tax	$ 199,983	$ -	$ -	$ 184,121	$ 384,104
Other	21,634	378,452	-	3,893	403,979
State Sources	3,534	-	-	4,151	7,685
Total Revenues	225,151	378,452	-	192,165	795,768
Expenditures:					
Current:					
Instruction:					
Regular Instruction	30,136	-	-	-	30,136
Other Instruction	1,576	349,982	-	-	351,558
Support Services:					
Student Services	1,073	-	-	-	1,073
Instructional Staff Services	38,027	-	-	-	38,027
Administration Services	3,317	-	-	8,000	11,317
Operation and Maintenance	76,193	3,654	-	16,948	96,795
Transportation Services	29,657	-	-	-	29,657
Non-Instructional Programs	13,577	-	-	-	13,577
Other Expenditures:					
Long Term Debt:					
Principal	-	-	412,738	-	412,738
Interest and Fiscal Charges	-	-	261,392	-	261,392
Total Expenditures	193,556	353,636	674,130	24,948	1,246,270
Excess (Deficiency) of Revenues Over Expenditures	31,595	24,816	(674,130)	167,217	(450,502)
Other Financing Sources (Uses):					
Transfers In	-	-	674,130	-	674,130
Total Other Financing Sources (Uses)	-	-	674,130	-	674,130
Net Change in Fund Balances	31,595	24,816	-	167,217	223,628
Fund Balances - Beginning of Year	285,386	133,933	59,262	333,971	812,552
Fund Balances - End of year	$ 316,981	$ 158,749	$ 59,262	$ 501,188	$ 1,036,180

See Accompanying Independent Auditors' Report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

	Balance June 30, 2015	Revenues	Expenditures	Operating Transfers	Balance June 30, 2016
Plays/Musical	$ 313	$ 2,720	$ 1,724	$ (1,115)	$ 194
Iowa High School Speech	-	57	5,673	5,616	-
Speech Club	3,239	3,123	2,978	-	3,384
Vocal Robe Rent	9,356	-	782	-	8,574
Iowa High School Music	-	87	4,301	4,214	-
Band Instrument Rent	2,351	8,030	6,335	-	4,046
Band Uniform Rent	8,700	8,774	14,310	-	3,164
Jazz Band	220	226	47	-	399
Middle School Band	206	2,618	1,261	-	1,563
Music Gate Receipts	224	5,458	3,053	-	2,629
Pep Club/Cheerleaders	939	5,204	4,068	-	2,075
Dance Team	3,778	2,220	1,272	-	4,726
Athletics	7,186	129,440	122,772	-	13,854
Boys Basketball	500	1,363	213	-	1,650
Dutch Football	1,436	2,589	2,925	-	1,100
Joint Baseball/Softball	3,970	9,000	9,328	-	3,642
Joint Baseball/Softball Concessions	6,747	13,293	12,873	-	7,167
Wrestling Concessions	2,879	9,019	9,469	-	2,429
Youth Wrestling	1,409	-	712	-	697
Dutch Volleyball	8,025	11,871	9,147	-	10,749
Annual	1,182	9,495	-	-	10,677
Industrial Tech./Skills USA	-	1,593	564	(652)	377
Student Council	7,159	6,987	6,140	128	8,134
Dutch Avalanche	8,732	3,546	3,251	-	9,027
FFA Club	3,523	37,990	33,802	-	7,711
Class of 2021	400	-	-	-	400
Class of 2020	700	-	-	-	700
Class of 2019	1,000	-	-	-	1,000
Class of 2018	1,000	-	-	-	1,000
Class of 2017	1,000	15,726	13,974	-	2,752
Class of 2016	3,925	-	2,058	(409)	1,458
Class of 2015	96	-	-	(96)	-
Middle/High School Shop	544	245	1,313	524	-
Awards	1,613	-	447	-	1,166
Miscellaneous	4,593	7,787	7,036	(2,710)	2,634
Concessions	8,257	20,164	12,631	(4,029)	11,761
National Honor Society	1,465	858	687	-	1,636
Middle School Student Council	654	6,306	7,645	703	18
Middle School Magazines	6,585	27,991	27,579	(1,795)	5,202
Middle School Book Club	81	-	-	-	81
Middle School Pictures	1,328	-	63	(246)	1,019
Reading Counts	10,607	4,156	1,776		12,987
Orange City Outdoor Education	1,958	18,194	16,744		3,408
Orange City Elementary Pictures	4,467	1,770	3,105	(489)	2,643
Orange City Elementary Book Club	156	554	137	-	573
Orange City Elementary Care Fund	375	-	32	-	343
Hospers Elementary Pictures	1,055	-	1,411	356	-
Totals	$ 133,933	$ 378,454	$ 353,638	$ -	$ 158,749

See Accompanying Independent Auditors' Report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
JUNE 30, 2016

Schedule 5

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
FLEX				
Assets				
Cash and Pooled Investments	$ 16,689	$ 96,752	$ 100,450	$ 12,991
Total Assets	16,689	96,752	100,450	12,991
Liabilities				
Other Payables	16,689	96,752	100,450	12,991
Total Liabilities	16,689	96,752	100,450	12,991
Band Parents				
Assets				
Cash and Pooled Investments	43,718	393,932	336,245	101,405
Total Assets	43,718	393,932	336,245	101,405
Liabilities				
Other Payables	43,718	393,932	336,245	101,405
Total Liabilities	43,718	393,932	336,245	101,405
Totals				
Assets				
Cash and Pooled Investments	60,407	490,684	436,695	114,396
Total Assets	60,407	490,684	436,695	114,396
Liabilities				
Other Payables	60,407	490,684	436,695	114,396
Total Liabilities	$ 60,407	$ 490,684	$ 436,695	$ 114,396

See Accompanying Independent Auditors' Report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS ENDED JUNE 30, 2016

	Modified Accrual Basis			
	2016	2015	2014	2013
Revenues:				
Local Sources:				
Local Tax	$ 7,073,189	$ 7,045,865	$ 7,006,461	$ 6,973,000
Tuition	352,211	445,484	372,889	317,588
Other	1,167,802	672,140	706,089	659,908
State Sources	8,494,673	7,749,295	7,495,123	7,181,925
Federal Sources	524,913	503,247	507,795	427,616
Total	17,612,788	16,416,031	16,088,357	15,560,037
Expenditures:				
Instruction:				
Regular Instruction	7,215,148	7,502,903	7,018,338	6,675,244
Special Instruction	2,003,739	1,928,940	1,733,992	1,710,672
Other Instruction	1,187,638	1,177,438	1,170,537	1,176,610
Support Services:				
Student Services	349,841	346,490	365,110	384,885
Instructional Staff Services	1,074,755	632,192	565,249	546,491
Administration Services	1,207,291	1,174,495	1,143,979	1,193,301
Operation and Maintenance	1,237,036	1,209,613	1,208,171	1,055,940
Transportation Services	556,747	693,249	556,651	590,443
Non-Instructional Programs	60,307	61,183	57,100	54,381
Other / Expenditures:				
Facilities acquisition	3,452,276	3,384,971	586,893	1,335,187
Long-Term Debt:				
Principal	412,738	1,358,000	658,597	232,040
Interest and other charges	261,392	265,075	61,898	30,978
AEA flowthrough	640,613	622,272	578,836	554,844
Total	$ 19,659,521	$ 20,356,821	$ 15,705,351	$ 15,541,016

See Accompanying Independent Auditors' Report

Schedule 6

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
$ 6,680,313	$ 6,813,563	$ 6,177,551	$ 5,920,879	$ 5,742,777	$ 5,717,087
306,496	251,986	213,050	206,596	227,197	245,447
694,908	596,633	517,985	516,071	595,337	653,974
7,484,581	6,763,471	6,006,701	6,855,748	6,350,048	5,662,514
709,076	679,637	1,285,219	638,707	585,683	356,122
15,875,374	15,105,290	14,200,506	14,138,001	13,501,042	12,635,144
6,592,324	6,432,633	6,296,032	6,248,844	5,848,218	5,245,267
1,660,435	1,755,192	1,774,807	1,620,557	1,403,884	1,274,833
1,128,732	1,064,930	1,070,482	1,087,334	1,100,724	1,146,584
504,050	403,605	391,921	387,817	365,581	367,276
430,803	514,136	468,121	471,129	437,981	474,641
1,132,640	1,078,132	1,049,388	1,023,237	997,004	988,093
1,102,444	1,019,203	947,276	971,881	926,787	961,151
663,479	490,124	545,967	547,162	497,695	476,459
34,755	794	17,917	15,187	11,799	12,784
304,694	162,335	240,797	355,452	194,210	612,353
668,385	839,184	805,096	768,865	721,864	625,209
95,544	133,508	167,597	202,359	236,861	256,253
557,266	603,338	588,853	522,985	494,092	460,286
$ 14,875,551	$ 14,497,114	$ 14,364,254	$ 14,222,809	$ 13,236,700	$ 12,901,189

PART I: SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

(a) Unmodified opinions were issued on the financial statements.

(b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESS:

2016-001 Financial Reporting

Condition and Criteria – The District is responsible for the accuracy and correct reporting of the financial statements. During the audit, we identified material amounts of accounts payable and expenses and immaterial amounts of cash and accounts receivable not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – The financial information provided by management does not properly present all transactions.

Cause – With a limited number of personnel and current staff workload, they do not allow for adequate review and preparation.

Recommendation – The District should implement procedures to ensure all transactions are properly identified, classified and included in the District's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future and monitor this process on a regular basis. However, hiring additional staff to implement additional review would not be cost effective.

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING

III-A-16 Certified Budget – Expenditures for the year ended June 30, 2016 did not exceed amounts budgeted.

III-B-16 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-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.

Part III: Other Findings Related to Statutory Reporting (Continued)

III-D-16 Business Transactions – Business transactions between the District and District Officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency	Insurance	$181,916
Bruce Shutt, Board Member Employee at Four Way Roofing	Roof Repairs	$ 3,425

These transactions may represent a conflict of interest and the District should contact legal counsel for determination.

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

III-F-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

III-G-16 Certified Enrollment – A variance of -0.22 was identified in the basic enrollment data certified to the Iowa Department of Education in October, 2015. The variance was discovered by the Department of Education and the District agrees with the variance.

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

III-I-16 Deposits and Investments – An instance of non-compliance with regards to the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy was noted. The policy was not updated to include a bank account.

Recommendation – The District should be aware of their depository resolution and have the Board approve any new banks that will be used.

Response – The District has updated the depository resolution and we will do so in the future before new banks are used.

Conclusion – Response accepted.

III-J-16 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.

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

Part III: Other Findings Related to Statutory Reporting (Continued)

III-L-16 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found no accounts that didn't appear to be extracurricular or co-curricular in nature.

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

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

Beginning Balance		$4,671,002
Statewide Sales and Services Tax Revenue	$1,339,142	
Other Local Revenues	506,463	1,845,605
		6,516,607
Expenditures/transfers out:		
School infrastructure construction	3,452,276	
Other	244,097	
Transfers to other funds:		
Debt Service	674,130	4,370,503
Ending Balance		$ 2,146,104

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.

WILLIAMS & COMPANY P.C.
Certified Public Accountants

21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543
www.williamscpas.com

INDEPENDENT AUDITORS' 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
MOC-Floyd Valley Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated January 31, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness, identified as item 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*.

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

MOC-Floyd Valley Community School District's Response to Findings

The MOC-Floyd Valley Community School District's response to the findings identified in our audit is described in the accompanying schedule of findings. MOC-Floyd Valley Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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 MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa

January 31, 2017