

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA

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

JUNE 30, 2014

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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Darrin Gage	President	2015
Mark Weldon	Vice President	2015
John Cochrane	Board Member	2013
Thomas Wieseler	Board Member	2013
Paul Morf	Board Member	2013
Shannon Amundson	Board Member	2015
Virginia Roudabush	Board Member	2015
(After September 2013 election)		
Darrin Gage	President	2015
Mark Weldon	Vice President	2015
Shannon Amundson	Board Member	2015
Virginia Roudabush	Board Member	2015
Tara Brokovich	Board Member	2017
Sherry Grunder	Board Member	2017
Lori Merlak	Board Member	2017
<u>School Officials</u>		
Gary O'Malley	Superintendent	2017
Matt Burke	District Secretary/Treasurer	2014
Andrew Bracken	Attorney	Indefinite

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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KNOXVILLE, IA 50138  
641/842-3184  
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Mount Vernon Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District, Mount Vernon Iowa, as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mount Vernon Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 54 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Vernon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein). For the eight years ended June 30, 2013, we expressed unmodified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unmodified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2014 on our consideration of Mount Vernon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Mount Vernon Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
October 31, 2014

*Hunt & Associates, P.C.*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,602,785 in fiscal 2013 to \$12,038,064 in fiscal 2014, while General Fund expenditures increased from \$12,023,635 in fiscal 2013 to \$12,399,701 in fiscal 2014. The District's General Fund balance decreased from \$1,543,001 in fiscal 2013 to \$1,184,810 in fiscal 2014.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries.
- The District continued implementation of a long term technology plan with the purchase of computers and other technology in fiscal 2014. The General Fund will be the primary source of funding for the expenditures in this plan and the General Fund technology expenditures were \$313,099 in fiscal 2014.
- As part of the long term technology plan the district has committed \$156,693 of reserves for on-going technology expenditures.

### **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 Mount Vernon 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 Mount Vernon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The Fiduciary Fund statements provide financial information about activities for which Mount Vernon 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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

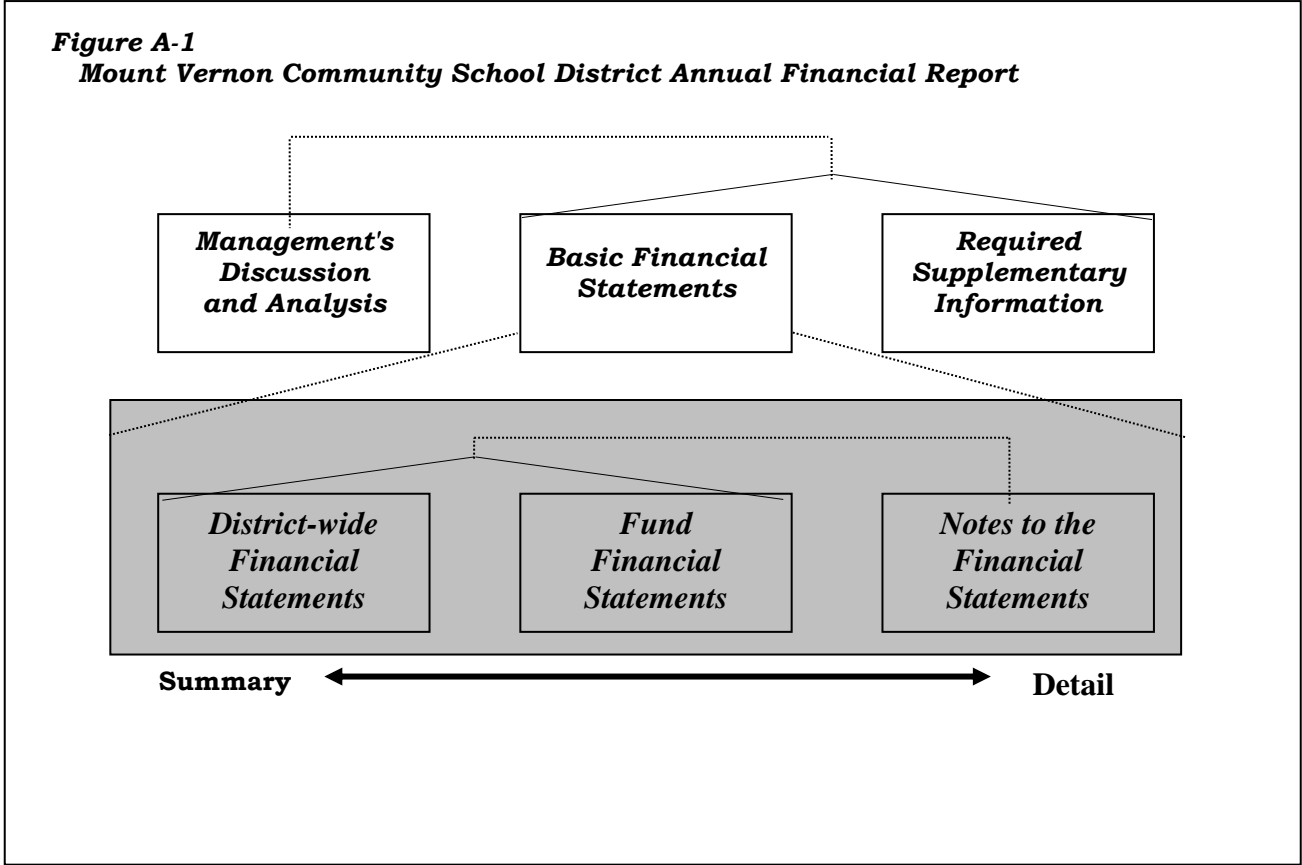


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 and liabilities. 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 – are 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 Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for employee wellness program funds.

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

The required financial statements for 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, 2014 as compared to June 30, 2013.

Figure A-3  
Condensed Statement of Net Position  
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$9,917	\$15,175	\$269	\$211	\$10,186	\$15,386	\$-5,200
Capital assets	23,840	24,155	89	109	23,929	24,264	-335
Total assets	33,757	39,330	358	320	34,115	39,650	-5,535
Long-term liabilities	12,146	19,254	-	-	12,146	19,254	-7,108
Other liabilities	2,508	1,779	34	29	2,542	1,808	734
Total liabilities	14,654	21,033	34	29	14,688	21,062	-6,374
Deferred inflows of resources	4,895	4,407	-	-	4,895	4,407	488
Net position:							
Net investment in capital assets	10,815	10,320	89	109	10,905	10,429	476
Restricted	1,899	1,678	-	-	1,899	1,678	221
Unrestricted	1,494	1,891	234	182	1,728	2,073	-345
Total net position	\$14,208	\$13,890	\$324	\$291	\$14,532	\$14,181	\$351

The largest portion of the District’s net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net position represent the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the change in net position for the year ended June 30, 2014 as compared to June 30, 2013.

Figure A-4  
Changes in Net Position  
(Expressed in Thousands)

	<u>Governmental</u> <u>Activities</u> June 30,		<u>Business type</u> <u>Activities</u> June 30,		<u>Total</u> <u>District</u> June 30,		<u>Total</u> <u>Change</u> June 30,
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Revenues:							
Program revenues:							
Charges for service	\$2,357	\$2,325	\$665	\$687	\$3,022	\$3,012	0.3%
Operating grants, contributions and restricted interest	1,520	1,445	184	190	1,704	1,635	4.2%
Capital grants, contributions	33	17	-	-	33	17	94.1%
General revenues:							
Property tax	4,418	4,273	-	-	4,418	4,273	3.4%
Statewide sales & services tax	926	887	-	-	926	887	4.4%
Unrestricted state grants	5,146	4,871	-	-	5,146	4,871	5.6%
Unrestricted investment earnings	23	24	-	-	23	24	-4.2%
Other	550	497	-	1	550	498	10.4%
Total revenues	14,973	14,339	849	878	15,822	15,217	4.0%
Program expenses:							
Governmental activities:							
Instruction	9,247	8,468	-	-	9,247	8,468	9.2%
Support services	3,626	3,651	8	5	3,626	3,656	-8%
Non-instructional programs	-	-	808	823	808	823	-1.8%
Other expenses	1,781	1,780	-	-	1,781	1,780	-1%
Total expenses	14,654	13,899	816	828	15,470	14,727	5.0%
Change in net position	\$319	\$440	\$33	\$50	\$352	\$490	-28.2%

Property tax and unrestricted state grants account for 64% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total governmental activities expenses.

Overall net position increased approximately \$351,030 for the current year.

## Governmental Activities

Revenues for governmental activities were \$14,972,882 and expenses were \$14,654,284.

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.

Figure A-5  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2014	2013	2014
Instruction	\$8,468	\$9,247	\$5,348	\$6,049
Support services	3,651	3,626	3,423	3,326
Non-instructional programs	-	-	-	-
Other expenses	1,780	1,781	1,341	1,369
Totals	\$13,899	\$14,654	\$10,112	\$10,744

The cost financed by users of the District's programs was \$2,356,824.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,553,246.
- The net cost of governmental activities was financed with \$5,807,710 in property and other taxes and \$5,145,676 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$848,576 and expenses were \$816,144. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the School Board approved an increase in meal prices for the 2013-2014 fiscal year to offset increasing food costs in the Nutrition Program.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Mount Vernon 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 \$3,208,558 as compared to last year's ending fund balances of \$8,794,182.

## **Governmental Fund Highlights**

- General Fund revenues increased from \$11,602,785 in fiscal 2013 to \$12,038,064 in fiscal 2014, while General Fund expenditures increased from \$12,023,635 in fiscal 2013 to \$12,399,701 in fiscal 2014. The District's General Fund balance decreased from \$1,543,001 in fiscal 2013 to \$1,184,810 in fiscal 2014.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries.
- The District continued implementation of a long term technology plan with the purchase of computers and other technology in fiscal 2014. The General Fund will be the primary source of funding for the expenditures in this plan and the General Fund technology expenditures were \$313,099 in fiscal 2014.
- As part of the long term technology plan the district has committed \$156,693 of reserves for on-going technology expenditures.
- The Debt Service Fund Balance decreased \$5,426,821 this year due to calling the District's Bonds dated June 1, 2004 on June 1, 2014. The District's June 1, 2012 General Obligation School Refunding Bonds provided the funding for calling these bonds. The Debt Service Fund Balance at June 30, 2014 is \$498,086.
- The District's Capital Projects Fund Balance increased 6.8% during the year to have an ending balance of \$1,256,328 at June 30, 2014.

**BUDGETARY HIGHLIGHTS**

The functional budget areas of the annual budget were not exceeded.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2014, the District had invested \$23.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$985,387.

The original cost of the District’s capital assets was \$32.0 million primarily in the governmental funds.

Figure A-6  
Capital Assets, net of Depreciation  
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2013-2014
	2014	2013	2014	2013	2014	2013	
Land	\$358	\$358	-	-	\$358	\$358	\$-
Buildings	22,131	22,621	-	-	22,131	22,621	-490
Improvements other than buildings	244	230	-	-	244	230	14
Furniture and equipment	1,107	947	89	109	1,196	1,056	140
Totals	\$23,840	\$24,156	\$89	\$109	\$23,929	\$24,265	\$-336

**Long-Term Debt**

At June 30, 2014, the District had \$13,076,033 in general obligation debt and capital loan notes outstanding. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total District June 30,		Total Change June 30, 2013-2014
	2014	2013	
General obligation bonds	\$5,560	\$11,350	\$-5,790
Local sales tax bonds	7,330	7,650	-320
Energy Loan Notes	135	200	-65
Early retirement	5	24	-19
OPEB liability	46	30	16
Totals	\$13,076	\$19,254	\$-6,178

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

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

- The Iowa State Legislature had not yet set the supplemental state aid percentage for State of Iowa student funding for future years.
- The District's student enrollment decreased from 1,296.72 in 2013 to 1,245.48 in 2014. Student enrollment is part of the calculations for various funding sources.

## **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 Matt Burke, School District Secretary/Treasurer, Mount Vernon Community School District, 525 Palisades Road SW, Mount Vernon, Iowa, 52314.

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## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,025,932	\$ 252,173	\$ 4,278,105
Receivables:			
Property tax:			
Current year	39,615	-	39,615
Succeeding year	4,895,126	-	4,895,126
Income surtax	395,160	-	395,160
Accounts	16,794	12,022	28,816
Due from other governments	544,576	-	544,576
Inventories	-	4,611	4,611
Capital assets, net of accumulated depreciation (note 4)	23,840,103	89,448	23,929,551
<b>Total assets</b>	<b>33,757,306</b>	<b>358,254</b>	<b>34,115,560</b>
<b>Liabilities</b>			
Accounts payable	348,202	967	349,169
Salaries and benefits payable	1,070,157	21,657	1,091,814
Unearned revenue	-	11,796	11,796
Accrued interest payable	159,220	-	159,220
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	5,033	-	5,033
Bonds payable	860,000	-	860,000
Notes payable	65,000	-	65,000
Portion due after one year:			
Bonds payable	12,030,000	-	12,030,000
Notes payable	70,000	-	70,000
Net OPEB liability	46,000	-	46,000
<b>Total liabilities</b>	<b>14,653,612</b>	<b>34,420</b>	<b>14,688,032</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,895,126	-	4,895,126

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 10,815,103	\$ 89,448	\$ 10,904,551
Restricted for:			
Categorical funding	39,754	-	39,754
Debt service	1,168,217	-	1,168,217
Capital projects	160,957	-	160,957
Physical plant and equipment levy purposes	266,020	-	266,020
Management levy purposes	162,726	-	162,726
Student activities	101,575	-	101,575
Unrestricted	<u>1,494,216</u>	<u>234,386</u>	<u>1,728,602</u>
 Total net position	 <u>\$ 14,208,568</u>	 <u>\$ 323,834</u>	 <u>\$ 14,532,402</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,247,178	\$ 2,355,254	\$ 810,183	\$ 32,706
Support services:				
Student	286,845	-	279,881	-
Instructional staff	381,717	-	14,796	-
Administration	1,661,912	-	-	-
Operation and maintenance of plant	874,068	-	-	-
Transportation	421,757	1,570	4,096	-
	<u>3,626,299</u>	<u>1,570</u>	<u>298,773</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	123,380	-	350	-
Long-term debt interest and fiscal charges	637,367	-	-	-
AEA flowthrough	411,234	-	411,234	-
Depreciation (unallocated) *	608,826	-	-	-
	<u>1,780,807</u>	<u>-</u>	<u>411,584</u>	<u>-</u>
Total governmental activities	<u>14,654,284</u>	<u>2,356,824</u>	<u>1,520,540</u>	<u>32,706</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (6,049,035)	\$ -	\$ (6,049,035)
(6,964)	-	(6,964)
(366,921)	-	(366,921)
(1,661,912)	-	(1,661,912)
(874,068)	-	(874,068)
(416,091)	-	(416,091)
(3,325,956)	-	(3,325,956)
(123,030)	-	(123,030)
(637,367)	-	(637,367)
-	-	-
(608,826)	-	(608,826)
(1,369,223)	-	(1,369,223)
(10,744,214)	-	(10,744,214)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Business-Type Activities:</b>				
Support services:				
Administration	\$ 5,360	\$ -	\$ -	-
Operation and maintenance of plant	1,518	-	-	-
	<u>6,878</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	607,897	451,337	183,624	-
Daycare operations	201,369	213,601	-	-
	<u>809,266</u>	<u>664,938</u>	<u>183,624</u>	<u>-</u>
Total business-type activities	<u>816,144</u>	<u>664,938</u>	<u>183,624</u>	<u>-</u>
Total	\$ <u>15,470,428</u>	\$ <u>3,021,762</u>	\$ <u>1,704,164</u>	\$ <u>32,706</u>

General revenues:

- Property tax levied for:
  - General purposes
  - Debt service
  - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

\* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (5,360)	\$ (5,360)
-	(1,518)	(1,518)
-	(6,878)	(6,878)
-	27,064	27,064
-	12,232	12,232
-	39,296	39,296
-	32,418	32,418
(10,744,214)	32,418	(10,711,796)
\$ 3,276,662	\$ -	\$ 3,276,662
689,230	-	689,230
452,189	-	452,189
463,688	-	463,688
925,941	-	925,941
5,145,676	-	5,145,676
22,531	14	22,545
86,895	-	86,895
11,062,812	14	11,062,826
318,598	32,432	351,030
13,889,970	291,402	14,181,372
\$ <u>14,208,568</u>	\$ <u>323,834</u>	\$ <u>14,532,402</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,141,472	\$ 492,205	\$ 1,120,810	\$ 271,445	\$ 4,025,932
Receivables:					
Property tax:					
Current year	26,280	5,881	3,858	3,596	39,615
Succeeding year	3,489,112	615,269	484,015	306,730	4,895,126
Income surtax	395,160	-	-	-	395,160
Accounts	16,281	-	-	513	16,794
Due from other governments	396,241	-	148,335	-	544,576
 Total assets	 <u>\$ 6,464,546</u>	 <u>\$ 1,113,355</u>	 <u>\$ 1,757,018</u>	 <u>\$ 582,284</u>	 <u>\$ 9,917,203</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 325,307	\$ -	\$ 16,675	\$ 6,220	\$ 348,202
Salaries and benefits payable	1,070,157	-	-	-	1,070,157
Total liabilities	<u>1,395,464</u>	<u>-</u>	<u>16,675</u>	<u>6,220</u>	<u>1,418,359</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,489,112	615,269	484,015	306,730	4,895,126
Other	395,160	-	-	-	395,160
Total deferred inflows of resources	<u>3,884,272</u>	<u>615,269</u>	<u>484,015</u>	<u>306,730</u>	<u>5,290,286</u>
Fund balances:					
Restricted for:					
Categorical funding (note 12)	39,754	-	-	-	39,754
Revenue bonds	-	-	828,909	-	828,909
Revenue bonds sinking fund	-	481,880	-	-	481,880
Debt service	-	16,206	-	-	16,206
School infrastructure	-	-	161,399	-	161,399
Physical plant and equipment	-	-	266,020	-	266,020
Management levy purposes	-	-	-	167,759	167,759
Student activities	-	-	-	101,575	101,575
Committed for technology	156,693	-	-	-	156,693
Unassigned	988,363	-	-	-	988,363
Total fund balances	<u>1,184,810</u>	<u>498,086</u>	<u>1,256,328</u>	<u>269,334</u>	<u>3,208,558</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,464,546</u>	<u>\$ 1,113,355</u>	<u>\$ 1,757,018</u>	<u>\$ 582,284</u>	<u>\$ 9,917,203</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2014

Total fund balances of governmental funds	\$ 3,208,558
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	23,840,103
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	395,160
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(159,220)
Long-term liabilities, including early retirement, bonds and notes payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(13,076,033)</u>
Net position of governmental activities	<u>\$ 14,208,568</u>
See notes to financial statements.	

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 3,328,771	\$ 688,974	\$ 452,021	\$ 393,848	\$ 4,863,614
Tuition	1,857,442	-	-	-	1,857,442
Other	185,386	14,819	1,378	404,630	606,213
State sources	6,313,840	256	926,109	150	7,240,355
Federal sources	352,625	-	-	-	352,625
Total revenues	<u>12,038,064</u>	<u>704,049</u>	<u>1,379,508</u>	<u>798,628</u>	<u>14,920,249</u>
<b>Expenditures:</b>					
Current:					
Instruction	8,660,053	-	-	416,027	9,076,080
Support services:					
Student	281,603	-	-	-	281,603
Instructional staff	467,668	-	329,536	-	797,204
Administration	1,361,809	-	23,460	250,954	1,636,223
Operation and maintenance of plant	851,976	-	26,851	-	878,827
Transportation	365,358	-	10,617	12,514	388,489
	<u>3,328,414</u>	<u>-</u>	<u>390,464</u>	<u>263,468</u>	<u>3,982,346</u>
Other expenditures:					
Facilities acquisition	-	-	202,226	-	202,226
Long term debt:					
Principal	-	6,110,000	-	-	6,110,000
Interest and fiscal charges	-	727,433	-	-	727,433
AEA flowthrough	411,234	-	-	-	411,234
	<u>411,234</u>	<u>6,837,433</u>	<u>202,226</u>	<u>-</u>	<u>7,450,893</u>
Total expenditures	<u>12,399,701</u>	<u>6,837,433</u>	<u>592,690</u>	<u>679,495</u>	<u>20,509,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(361,637)</u>	<u>(6,133,384)</u>	<u>786,818</u>	<u>119,133</u>	<u>(5,589,070)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 3,446	\$ -	\$ -	\$ -	\$ 3,446
Interfund transfers in (note 3)	-	706,563	-	-	706,563
Interfund transfers out (note 3)	-	-	(706,563)	-	(706,563)
Total other financing sources (uses)	<u>3,446</u>	<u>706,563</u>	<u>(706,563)</u>	<u>-</u>	<u>3,446</u>
Net change in fund balances	(358,191)	(5,426,821)	80,255	119,133	(5,585,624)
Fund balances beginning of year	<u>1,543,001</u>	<u>5,924,907</u>	<u>1,176,073</u>	<u>150,201</u>	<u>8,794,182</u>
Fund balances end of year	<u>\$ 1,184,810</u>	<u>\$ 498,086</u>	<u>\$ 1,256,328</u>	<u>\$ 269,334</u>	<u>\$ 3,208,558</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (5,585,624)

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

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

Capital outlays	\$ 617,456	
Capital assets donated by others	32,706	
Depreciation expense	<u>(965,534)</u>	(315,372)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 16,481

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 6,175,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 25,066

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

Early retirement	19,047	
Net OPEB liability	<u>(16,000)</u>	<u>3,047</u>

Change in net position of governmental activities \$ 318,598

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2014

	School Nutrition	Nonmajor - Daycare	Total
Assets			
Cash and cash equivalents	\$ 239,341	\$ 12,832	\$ 252,173
Accounts receivable	-	12,022	12,022
Inventories	4,611	-	4,611
Capital assets, net of accumulated depreciation (note 4)	89,448	-	89,448
Total assets	<u>333,400</u>	<u>24,854</u>	<u>358,254</u>
Liabilities			
Accounts payable	-	967	967
Salaries and benefits payable	13,419	8,238	21,657
Unearned revenue	11,796	-	11,796
Total liabilities	<u>25,215</u>	<u>9,205</u>	<u>34,420</u>
Fund Net Position			
Net investment in capital assets	89,448	-	89,448
Unrestricted	218,737	15,649	234,386
Total fund net position	<u>\$ 308,185</u>	<u>\$ 15,649</u>	<u>\$ 323,834</u>

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	<u>School Nutrition</u>	<u>Nonmajor - Daycare</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 451,337	\$ 213,601	\$ 664,938
Operating expenses:			
Support services:			
Administration	5,360	-	5,360
Operation and maintenance of plant	1,518	-	1,518
Non-instructional programs	607,897	201,369	809,266
Total operating expenses	<u>614,775</u>	<u>201,369</u>	<u>816,144</u>
Operating income (loss)	(163,438)	12,232	(151,206)
Non-operating revenues:			
Interest on investments	-	14	14
State sources	5,018	-	5,018
Federal sources	178,606	-	178,606
Total non-operating revenues	<u>183,624</u>	<u>14</u>	<u>183,638</u>
Change in fund net position	20,186	12,246	32,432
Fund net position beginning of year	<u>287,999</u>	<u>3,403</u>	<u>291,402</u>
Fund net position end of year	<u>\$ 308,185</u>	<u>\$ 15,649</u>	<u>\$ 323,834</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	School Nutrition	Nonmajor - Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 451,081	\$ -	\$ 451,081
Cash received from miscellaneous operating activities	128	214,783	214,911
Cash payments to employees for services	(417,852)	(188,079)	(605,931)
Cash payments to suppliers for goods or services	(133,102)	(19,657)	(152,759)
Net cash provided by (used by) operating activities	<u>(99,745)</u>	<u>7,047</u>	<u>(92,698)</u>
Cash flows from non-capital financing activities:			
State grants received	5,018	-	5,018
Federal grants received	142,530	-	142,530
Net cash provided by non-capital financing activities	<u>147,548</u>	<u>-</u>	<u>147,548</u>
Cash flows from investing activities:			
Interest on investments	-	14	14
Net increase in cash and cash equivalents	47,803	7,061	54,864
Cash and cash equivalents beginning of year	<u>191,538</u>	<u>5,771</u>	<u>197,309</u>
Cash and cash equivalents end of year	<u>\$ 239,341</u>	<u>\$ 12,832</u>	<u>\$ 252,173</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	<u>School Nutrition</u>	<u>Nonmajor - Daycare</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (163,438)	\$ 12,232	\$ (151,206)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	19,853	-	19,853
Commodities used	36,076	-	36,076
Decrease in accounts receivable	-	1,182	1,182
(Increase) in inventories	(2,338)	-	(2,338)
(Decrease) in accounts payable	-	(674)	(674)
Increase (decrease) in salaries and benefits payable	12,230	(5,693)	6,537
(Decrease) in interfund payable	(2,000)	-	(2,000)
(Decrease) in unearned revenue	(128)	-	(128)
Net cash provided by (used by) operating activities	<u>\$ (99,745)</u>	<u>\$ 7,047</u>	<u>\$ (92,698)</u>

Non-cash financing activities:

During the year ended June 30, 2014, the District received \$36,076 of federal commodities.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>1,943</u>	\$ <u>22,595</u>
Liabilities:		
Accounts payable	1,000	1,837
Other payables	<u>-</u>	<u>20,758</u>
Total liabilities	<u>1,000</u>	<u>22,595</u>
Fiduciary Net Position:		
Restricted for scholarships	<u>\$ 943</u>	<u>\$ -</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2014

	Private Purpose Trust	
		Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest		2
Total additions		1,002
Deductions:		
Instruction:		
Scholarships awarded		2,000
Change in fiduciary net position		(998)
Fiduciary net position beginning of year		1,941
Fiduciary net position end of year	\$	943
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Mount Vernon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Mount Vernon, Iowa, and agricultural territory in Johnson, Jones, and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Mount Vernon 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. Mount Vernon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

The District appoints members of the Mount Vernon School Foundation Board, which is considered a related organization.

B. Basis of Presentation

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 main 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 Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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-restrictive classifications – committed, assigned and then unassigned fund balances, in that order.

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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

For purposes of the statement of cash flows, all short-term 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 receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2014 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 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.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District’s policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2014.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

Available means collectible 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 consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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 ensure there will be no loss of public funds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>830,633</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>706,563</u>

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Capital assets being depreciated:				
Buildings	27,065,322	42,004	-	27,107,326
Improvements other than buildings	803,623	34,155	-	837,778
Furniture and equipment	3,103,597	574,003	223,796	3,453,804
Total capital assets being depreciated	<u>30,972,542</u>	<u>650,162</u>	<u>223,796</u>	<u>31,398,908</u>
Less accumulated depreciation for:				
Buildings	4,444,078	532,010	-	4,976,088
Improvements other than buildings	574,108	19,824	-	593,932
Furniture and equipment	2,157,018	413,700	223,796	2,346,922
Total accumulated depreciation	<u>7,175,204</u>	<u>965,534</u>	<u>223,796</u>	<u>7,916,942</u>
Total capital assets being depreciated, net	<u>23,797,338</u>	<u>(315,372)</u>	<u>-</u>	<u>23,481,966</u>
Governmental activities capital assets, net	<u>\$ 24,155,475</u>	<u>\$ (315,372)</u>	<u>\$ -</u>	<u>\$ 23,840,103</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Furniture and equipment	\$ 239,953	\$ -	\$ 3,315	\$ 236,638
Less accumulated depreciation	130,652	19,853	3,315	147,190
Business-type activities capital assets, net	<u>\$ 109,301</u>	<u>\$ (19,853)</u>	<u>\$ -</u>	<u>\$ 89,448</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 187,253

Support services:

Student 4,480

Instructional staff 68,490

Administration 40,795

Operation and maintenance of plant 12,422

Transportation 43,268

356,708

Unallocated depreciation 608,826

Total depreciation expense - governmental activities \$ 965,534

Business-type activities:

Food service operations \$ 19,853

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 24,080	\$ -	\$ 19,047	\$ 5,033	\$ 5,033
General obligation bonds	11,350,000	-	5,790,000	5,560,000	530,000
Revenue bonds	7,650,000	-	320,000	7,330,000	330,000
Energy loan notes	200,000	-	65,000	135,000	65,000
Net OPEB liability	30,000	16,000	-	46,000	-
Total	<u>\$ 19,254,080</u>	<u>\$ 16,000</u>	<u>\$ 6,194,047</u>	<u>\$ 13,076,033</u>	<u>\$ 930,033</u>

Early Retirement

The District previously offered a voluntary early retirement plan to its certified employees. Eligible employees had to be at least age fifty-five on or before August 1 and have 10 years of teaching service in the District. Employees had to complete an application which was required to be approved by the Board of Education.

The early retirement benefit for each eligible teacher is equal to 30% of the employee's base salary calculated by using the current year regular salary schedule plus extra pay on the extra pay schedule, but not including the school benefit or teacher quality pay. Early retirement benefits for teachers will be paid in three annual installments in September. Early retirement benefits for administrators under a previous plan are being paid in three annual installments in July.

At June 30, 2014, the District has obligations to one participant with a total liability of \$5,033. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$19,047. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated June 1, 2012		
		Principal	Interest	Total
2015	1.00 %	\$ 530,000	\$ 82,770	\$ 612,770
2016	1.00	535,000	77,470	612,470
2017	1.00	540,000	72,120	612,120
2018	1.15	545,000	66,720	611,720
2019	1.35	550,000	60,453	610,453
2020-2024	1.55-2.05	2,860,000	167,967	3,027,967
		<u>\$ 5,560,000</u>	<u>\$ 527,500</u>	<u>\$ 6,087,500</u>

Revenue Bonds

Details of the District's June 30, 2014 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.000 %	\$ 330,000	\$ 298,810	\$ 628,810
2016	3.000	340,000	288,760	628,760
2017	3.000	355,000	278,335	633,335
2018	3.400	370,000	266,720	636,720
2019	4.000	380,000	252,830	632,830
2020-2024	4.000-4.300	2,180,000	1,012,587	3,192,587
2025-2029	4.400-4.700	2,740,000	479,267	3,219,267
2030	4.700	635,000	14,923	649,923
		<u>\$ 7,330,000</u>	<u>\$ 2,892,232</u>	<u>\$ 10,222,232</u>

The District pledged future statewide sales and services tax revenues to repay the \$8,685,000 bonds issued in March 2010. The bonds were issued for the purpose of refunding the June 2008 revenue bonds and financing various building renovation projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$10,222,232. For the current year, principal of \$320,000 and interest of \$306,960 was paid on the bonds and total statewide sales and services tax revenues were \$925,941.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

- (a) \$828,909 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- (b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Energy Loan Notes

Details of the District's June 30, 2014 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.90 %	\$ 65,000	\$ 5,300	\$ 70,300
2016	3.95	70,000	2,765	72,765
		<u>\$ 135,000</u>	<u>\$ 8,065</u>	<u>\$ 143,065</u>

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 21 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 23,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(3,000)</u>
Annual OPEB cost	21,000
Contributions made	<u>(5,000)</u>
Increase in net OPEB obligation	16,000
Net OPEB obligation beginning of year	<u>30,000</u>
Net OPEB obligation end of year	<u><u>\$ 46,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$5,000 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 15,000	80.0%	\$ 14,000
2013	21,000	23.8%	30,000
2014	21,000	23.8%	46,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$120,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,112,000, and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2014, there were no trust fund assets.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 7. Short-Term Debt Activity

During the year ended June 30, 2014, the District entered into short-term interfund loans from the General Fund to the Special Revenue, Management Levy Fund and the Capital Projects Fund. The loans were necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax and statewide sales and services tax revenues. The loans included interest at 0.02%.

A summary of the short-term debt activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
Management Levy Fund	\$ -	\$ 180,000	\$ 180,000	\$ -
Capital Projects Fund	-	120,000	120,000	-
Total	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Operating Leases

The District is obligated under three leases for computers and related equipment that are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Position. The agreements provide for monthly lease payments during the term of the leases.

The total lease payment under the lease agreements are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 21,595
2016	<u>707</u>
	<u>\$ 22,302</u>

Total payments on operating lease agreements for the year ended June 30, 2014 were \$61,907.

Note 9. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$768,781, \$691,398, and \$625,257, respectively, equal to the required contributions for each year.

Note 10. Risk Management

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

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$411,234 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Beginning teacher mentoring and induction program	\$ 1,200
Successful progression for early readers	18,924
Professional development	14,077
Teacher leadership grants	5,553
Total	\$ 39,754

Note 13. Contingency

The District has one ongoing lawsuit. The District's insurance carrier is providing coverage for the lawsuit. The outcome of the case cannot be determined at this time.

Note 14. Subsequent Events

In July 2014, the District entered into two operating leases for computers. The leases are for \$14,242 and \$16,607, respectively, per year over three years.

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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Required Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 7,327,269	\$ 664,952	\$ 7,992,221	\$ 9,113,458	\$ 9,113,458	\$ (1,121,237)
State sources	7,240,355	5,018	7,245,373	6,421,375	6,241,375	1,003,998
Federal sources	352,625	178,606	531,231	433,456	433,456	97,775
<b>Total revenues</b>	<b>14,920,249</b>	<b>848,576</b>	<b>15,768,825</b>	<b>15,968,289</b>	<b>15,788,289</b>	<b>(19,464)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	9,076,080	-	9,076,080	8,889,052	9,274,281	198,201
Support services	3,982,346	6,878	3,989,224	3,897,145	4,188,372	199,148
Non-instructional programs	-	809,266	809,266	1,100,583	1,100,583	291,317
Other expenditures	7,450,893	-	7,450,893	7,820,100	7,820,100	369,207
<b>Total expenditures/expenses</b>	<b>20,509,319</b>	<b>816,144</b>	<b>21,325,463</b>	<b>21,706,880</b>	<b>22,383,336</b>	<b>1,057,873</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(5,589,070)	32,432	(5,556,638)	(5,738,591)	(6,595,047)	1,038,409
Other financing sources, net	3,446	-	3,446	-	-	3,446
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(5,585,624)	32,432	(5,553,192)	(5,738,591)	(6,595,047)	1,041,855
Balance beginning of year	8,794,182	291,402	9,085,584	9,145,761	9,145,761	(60,177)
Balance end of year	<u>\$ 3,208,558</u>	<u>\$ 323,834</u>	<u>\$ 3,532,392</u>	<u>\$ 3,407,170</u>	<u>\$ 2,550,714</u>	<u>\$ 981,678</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$676,456.

During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 192	\$ 192	0.0%	\$ 1,963	9.8%
2011	July 1, 2009	-	181	181	0.0%	1,376	13.2%
2012	July 1, 2009	-	132	132	0.0%	1,267	10.4%
2013	July 1, 2012	-	138	138	0.0%	1,333	10.4%
2014	July 1, 2012	-	120	120	0.0%	1,112	10.8%

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

See accompanying independent auditor's report.



Supplementary Information

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	\$ 164,163	\$ 107,282	\$ -	\$ 271,445
Receivables:				
Property tax:				
Current year	3,596	-	-	3,596
Succeeding year	270,618	-	36,112	306,730
Accounts	-	513	-	513
Total assets	\$ 438,377	\$ 107,795	\$ 36,112	\$ 582,284
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 6,220	\$ -	\$ 6,220
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	270,618	-	36,112	306,730
Fund balances:				
Restricted for:				
Management levy purposes	167,759	-	-	167,759
Student activities	-	101,575	-	101,575
Total fund balances	167,759	101,575	-	269,334
Total liabilities, deferred inflows of resources and fund balances	\$ 438,377	\$ 107,795	\$ 36,112	\$ 582,284

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Revenues:			
Local sources:			
Local tax	\$ 393,848	\$ -	\$ 393,848
Other	6,640	397,990	404,630
State sources	150	-	150
Total revenues	<u>400,638</u>	<u>397,990</u>	<u>798,628</u>
Expenditures:			
Current:			
Instruction	19,047	396,980	416,027
Support services:			
Administration	250,954	-	250,954
Transportation	12,514	-	12,514
Total expenditures	<u>282,515</u>	<u>396,980</u>	<u>679,495</u>
Net change in fund balances	118,123	1,010	119,133
Fund balances beginning of year	<u>49,636</u>	<u>100,565</u>	<u>150,201</u>
Fund balances end of year	<u>\$ 167,759</u>	<u>\$ 101,575</u>	<u>\$ 269,334</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 849,136	\$ 271,674	\$ 1,120,810
Receivables:			
Property tax:			
Current year	-	3,858	3,858
Succeeding year	-	484,015	484,015
Due from other governments	148,335	-	148,335
	<u>997,471</u>	<u>759,547</u>	<u>1,757,018</u>
Total assets			
	<u>\$ 997,471</u>	<u>\$ 759,547</u>	<u>\$ 1,757,018</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,163	\$ 9,512	\$ 16,675
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	484,015	484,015
	<u>-</u>	<u>484,015</u>	<u>484,015</u>
Fund balances:			
Restricted for:			
Revenue bonds	828,909	-	828,909
School infrastructure	161,399	-	161,399
Physical plant and equipment	-	266,020	266,020
Total fund balances	<u>990,308</u>	<u>266,020</u>	<u>1,256,328</u>
	<u>990,308</u>	<u>266,020</u>	<u>1,256,328</u>
Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 997,471</u>	<u>\$ 759,547</u>	<u>\$ 1,757,018</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 452,021	\$ 452,021
Other	288	1,090	1,378
State sources	925,941	168	926,109
Total revenues	<u>926,229</u>	<u>453,279</u>	<u>1,379,508</u>
Expenditures:			
Current:			
Support services:			
Instructional staff operations	170,322	159,214	329,536
Administration operations	24	23,436	23,460
Operation and maintenance of plant	-	26,851	26,851
Transportation	-	10,617	10,617
Other expenditures:			
Facilities acquisition	-	202,226	202,226
Total expenditures	<u>170,346</u>	<u>422,344</u>	<u>592,690</u>
Excess of revenues over expenditures	755,883	30,935	786,818
Other financing uses:			
Interfund transfers out	<u>(706,563)</u>	-	<u>(706,563)</u>
Net change in fund balances	49,320	30,935	80,255
Fund balances beginning of year	<u>940,988</u>	<u>235,085</u>	<u>1,176,073</u>
Fund balances end of year	<u>\$ 990,308</u>	<u>\$ 266,020</u>	<u>\$ 1,256,328</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Drama & Speech	\$ -	\$ 6,665	\$ 6,665	\$ -
Musical	-	7,171	6,737	434
Vocal	66	2,058	1,695	429
Jazz Choir	73	2,160	847	1,386
Band	1,515	3,101	4,004	612
Fine Arts	1,357	29,854	29,779	1,432
Cross Country Co-Ed	-	3,342	3,342	-
Tennis Co-Ed	-	645	645	-
Boys Basketball	-	6,596	6,596	-
Boys Football	-	21,898	21,898	-
Boys Soccer	-	3,675	3,675	-
Boys Baseball	-	11,519	11,519	-
Boys Track	-	4,217	4,217	-
Boys Golf	-	4,242	4,242	-
Miscellaneous Athletics	-	12,626	12,626	-
Boys Wrestling	-	10,883	10,883	-
Girls Basketball	-	11,240	11,240	-
Girls Volleyball	-	13,515	13,515	-
Girls Soccer	-	4,167	4,167	-
Girls Softball	-	9,793	9,793	-
Girls Track	-	5,517	5,517	-
Fundraising Football	6,087	4,382	9,948	521
Fundraising Boys Soccer	316	300	-	616
Fundraising Girls Soccer	608	255	540	323
Boys Basketball Fundraising	2,149	7,683	4,593	5,239
Girls Track and Field Fundraising	3,824	3,441	4,274	2,991
Volleyball Fundraising	591	6,890	6,309	1,172
Fundraising Cross Country	-	897	811	86
Fundraising Softball	1,879	4,805	3,458	3,226
Girls Basketball Fundraising	-	5,942	4,986	956
Baseball Fundraising	-	1,655	1,655	-
Activities Group Resale	-	3,837	3,837	-
Art Club	3,145	414	1,140	2,419
Student Activities Group	820	853	1,487	186
Strings	460	711	1,171	-
Uniform/Robe Rental	80	2,048	596	1,532
Academic Decathlon	100	-	-	100
Student Council	2,022	1,791	3,383	430
Chess Club	351	-	-	351

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Yearbook	\$ 8,339	\$ 19,665	\$ 20,683	\$ 7,321
Class of 2014	1,606	-	678	928
Class of 2015	1,500	1,524	2,142	882
Class of 2016	-	1,500	250	1,250
Cheerleading	307	7,021	5,838	1,490
Dance Group	1,583	-	-	1,583
Audio Design Club	264	-	264	-
Robotics	-	8,245	6,300	1,945
Garden Club	212	-	-	212
Archery Club	71	2,796	2,867	-
Student Council Project	1,192	937	1,584	545
Water Polo Club	3	-	3	-
Speed and Agility Club	10,760	8,936	18,730	966
International Students Club	586	-	128	458
Entrepreneur Club	607	897	643	861
German Trip	240	-	-	240
English Art Trip	-	1,425	691	734
Spanish Club	-	4,424	4,424	-
Library Club	2,513	695	527	2,681
Band Trip	238	-	-	238
Fall Play	875	860	1,559	176
Special Activities Group Fees	5	399	145	259
Middle School:				
Band	25	2,088	2,090	23
Cross Country	-	1,718	1,718	-
Boys Basketball	-	1,791	1,791	-
Boys Football	-	6,638	6,638	-
Boys Track	-	299	299	-
Boys Wrestling	-	747	747	-
Girls Basketball	-	2,210	2,210	-
Girls Volleyball	-	1,475	1,475	-
Girls Softball	-	863	863	-
Girls Track	-	2,087	2,087	-
Activities Group Resale	358	5	-	363
Student Activities Group	6,252	4,080	2,751	7,581
8th Grade Musical	1,003	586	780	809
Strings	13	1,885	895	1,003
Student Council	1,375	2,080	2,728	727
Yearbook	6,684	4,518	3,870	7,332

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
Science Olympiad	\$ 1,731	\$ 41,227	\$ 42,039	\$ 919
Canstruction	623	2,300	1,896	1,027
Book Club	-	210	210	-
Pride	18	12,647	12,320	345
7th Grade Service Club	1,653	4,839	4,975	1,517
Band Instruments	647	1,050	663	1,034
Special Activities Group Fees	583	-	-	583
Trips	5,209	-	-	5,209
Birthday Books	232	2,567	2,787	12
Elementary:				
Student Activities Group	16,979	8,278	1,061	24,196
Strings	-	601	331	270
We Tap	25	10,565	10,265	325
Birthday Books	811	524	245	1,090
Total	<u>\$ 100,565</u>	<u>\$ 397,990</u>	<u>\$ 396,980</u>	<u>\$ 101,575</u>

See accompanying independent auditor's report.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 67,986	\$ 145,437	\$ 190,828	\$ 22,595
Liabilities				
Accounts payable	\$ 963	\$ 1,837	\$ 963	\$ 1,837
Other payables	67,023	143,600	189,865	20,758
Total liabilities	\$ 67,986	\$ 145,437	\$ 190,828	\$ 22,595

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2014	2013	2012	2011
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,863,614	\$ 5,549,678	\$ 5,710,704	\$ 5,409,382
Tuition	1,857,442	1,877,946	1,807,800	1,690,633
Other	606,213	600,246	631,686	625,355
State sources	7,240,355	5,987,646	5,979,937	5,789,536
Federal sources	352,625	286,114	242,345	631,863
<b>Total revenues</b>	<b>\$ 14,920,249</b>	<b>\$ 14,301,630</b>	<b>\$ 14,372,472</b>	<b>\$ 14,146,769</b>
<b>Expenditures:</b>				
Instruction	\$ 9,076,080	\$ 8,739,732	\$ 8,037,426	\$ 7,203,900
Support services:				
Student	281,603	272,442	298,961	405,284
Instructional staff	797,204	957,381	619,775	629,914
Administration	1,636,223	1,602,997	1,299,461	1,381,318
Operation and maintenance of plant	878,827	763,626	903,180	719,689
Transportation	388,489	394,289	338,856	394,642
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	202,226	644,677	4,293,760	1,738,194
Long-term debt:				
Principal	6,110,000	995,000	960,000	675,000
Interest and fiscal charges	727,433	689,357	702,670	593,910
AEA flowthrough	411,234	393,008	389,218	423,338
<b>Total expenditures</b>	<b>\$ 20,509,319</b>	<b>\$ 15,452,509</b>	<b>\$ 17,843,307</b>	<b>\$ 14,165,189</b>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	4,917,569	\$ 4,596,588	\$ 4,585,983	\$ 3,434,909	\$ 3,230,451	\$ 3,048,884
	1,441,273	1,470,733	1,400,687	1,306,157	1,203,706	1,228,175
	503,031	575,068	595,915	909,387	879,232	556,514
	4,934,704	5,701,845	5,292,122	4,793,250	4,519,836	4,496,276
	1,120,415	562,174	432,670	261,517	550,467	146,445
\$	<u>12,916,992</u>	<u>12,906,408</u>	<u>12,307,377</u>	<u>10,705,220</u>	<u>10,383,692</u>	<u>9,476,294</u>
\$	7,083,873	\$ 7,057,764	\$ 6,433,667	\$ 6,677,440	\$ 6,044,316	\$ 5,439,988
	660,786	502,479	407,570	193,632	187,837	196,895
	601,292	493,556	434,847	276,986	260,544	387,478
	1,459,404	1,353,748	1,138,812	1,110,943	1,002,951	780,717
	751,148	925,912	892,467	829,924	847,901	830,463
	300,164	404,933	402,906	401,843	335,563	312,541
	-	-	-	-	-	716
	786,461	1,802,268	1,238,509	1,536,328	9,250,683	1,816,041
	1,040,000	630,000	600,000	555,000	375,000	510,000
	676,513	447,423	449,826	447,438	387,031	405,920
	408,485	372,851	346,567	314,749	290,296	288,897
\$	<u>13,768,126</u>	<u>13,990,934</u>	<u>12,345,171</u>	<u>12,344,283</u>	<u>18,982,122</u>	<u>10,969,656</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Mount Vernon Community School District:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mount Vernon Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance

As part of obtaining reasonable assurance about whether Mount Vernon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

### Mount Vernon Community School District's Responses to Findings

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

### Purpose of this Report

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

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

Oskaloosa, Iowa  
October 31, 2014

*Hunt + Associates, P.C.*

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, did not exceed the amounts budgeted.
- II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 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.
- II-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Joann Gage, Spouse of Board President	Teacher Contract*	\$64,055
Mallory Roudabush, Daughter of Board Member	Daycare Worker Pay*	\$813

\* = Determined through the District’s annual negotiations process.

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent any conflict of interest.

- II-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-14 Certified Enrollment – The number of basic resident students certified to the Iowa Department of Education for the certified enrollment for the fall of 2013 was overstated by 0.5. The District’s certified enrollment count included one student who was a ward of the state.

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

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting (continued):

II-H-14 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for the fall of 2013 was understated by 3 due to the operational shared supplementary weighting for a shared counselor.

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

Response – We will contact the Iowa Department of Education and the Iowa Department of Management.

Conclusion – Response accepted.

II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

II-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	940,988
Revenues:			
Interest	\$	288	
Statewide sales, services and use tax		<u>925,941</u>	926,229
Expenditures/transfers out:			
Equipment		170,322	
Other		24	
Transfers to other funds:			
Debt Service Fund		<u>706,563</u>	<u>876,909</u>
Ending balance		\$	<u><u>990,308</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.