

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
MOUNT VERNON, IOWA

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

JUNE 30, 2016

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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 2015 election)		
Mark Weldon	President	2015
Lori Merlak	Vice President	2017
Darrin Gage	Board Member	2015
Shannon Amundson	Board Member	2015
Virginia Roudabush	Board Member	2015
Tom Wieseler	Board Member (Appointed June 8, 2015)	2015
Sherry Grunder	Board Member	2017
(After September 2015 election)		
Lori Merlak	President	2017
Sherry Grunder	Vice President	2017
Rick Elliott	Board Member	2017
Denise Brannaman	Board Member	2019
Nannette Gunn	Board Member	2019
John Rhomberg	Board Member	2019
Mark Weldon	Board Member	2019
<u>School Officials</u>		
Gary O'Malley	Superintendent	2017
Matt Burke	District Secretary/Treasurer	2016
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.
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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, 2016 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 58 through 65 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, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. 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 November 28, 2016 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
November 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,893,280 in fiscal 2015 to \$13,115,525 in fiscal 2016, while General Fund expenditures increased from \$12,672,321 in fiscal 2015 to \$12,746,168 in fiscal 2016. The District's General Fund balance increased from \$1,406,796 in fiscal 2015 to \$1,778,545 in fiscal 2016.
- 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 2016.
- The General Fund Unspent Authorized Budget increased from \$3,120,566 in fiscal 2015 to \$3,255,081 in fiscal 2016. The Unspent Authorized Budget as determined annually by the Iowa Department of Management is the previous years' accumulation of unspent State of Iowa authorized spending authority. Mount Vernon School Board policy 1004 has a goal of unspent authority as compared to total General Fund expenditures at 10% and at fiscal 2016 this percentage was 25.5%.
- School Board policy 1004 has a goal of a solvency ratio of at least 10%. The solvency ratio is the General Fund undesignated and unreserved fund balance divided by General Fund total revenue. For fiscal year 2016 the solvency ratio was 12.6%.

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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

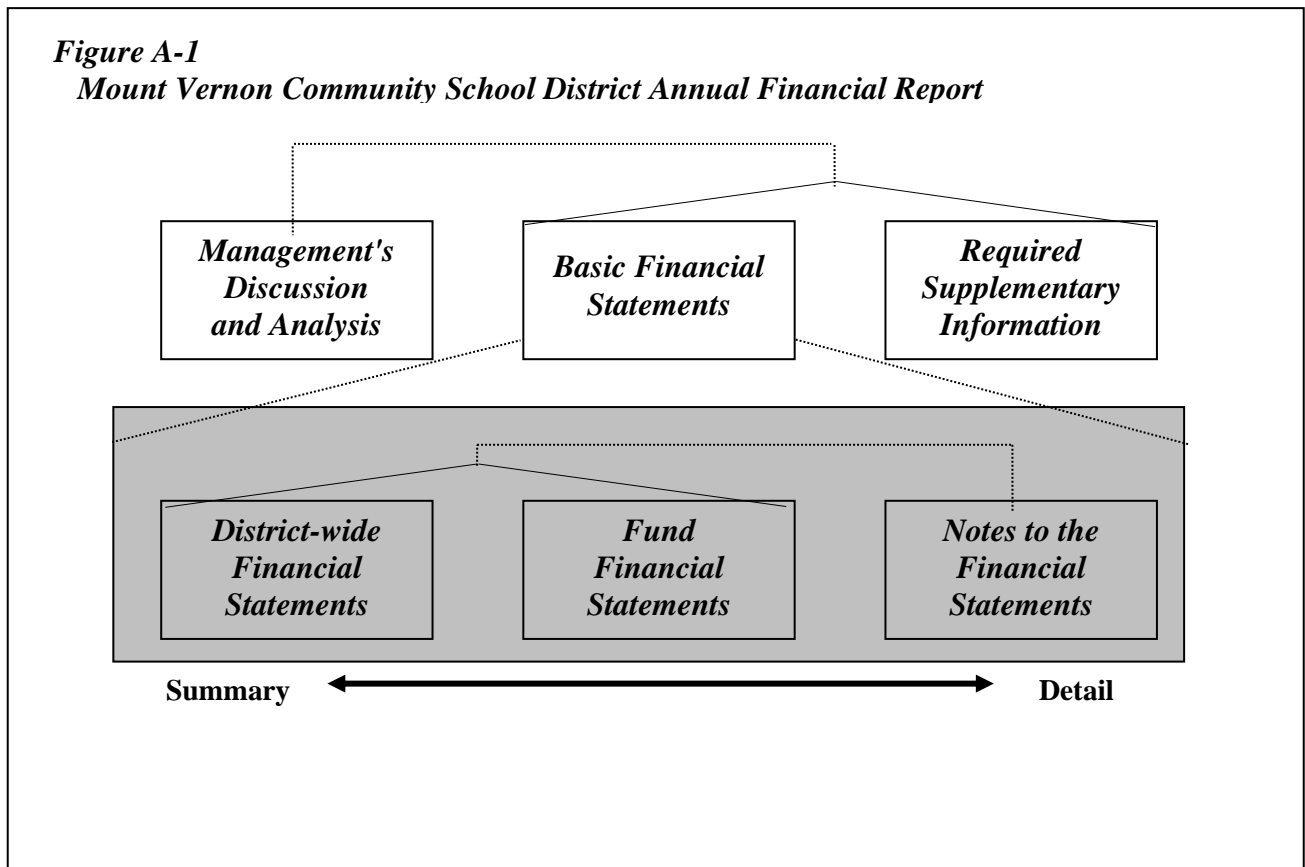


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 deferred outflows of resources and the liabilities and deferred inflows of resources – 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, 2016 as compared to June 30, 2015.

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,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$11,349	\$10,416	\$217	\$231	\$11,566	\$10,647	\$919
Capital assets	22,776	23,540	66	88	22,842	23,628	-786
Total assets	34,125	33,956	283	319	34,408	34,275	133
Deferred outflows of resources	1,298	1,158	51	44	1,349	1,202	147
Long-term liabilities	17,705	17,188	249	191	17,954	17,379	575
Other liabilities	1,534	1,530	45	40	1,579	1,570	9
Total liabilities	19,239	18,718	294	231	19,533	18,949	584
Deferred inflows of resources	5,774	7,038	21	73	5,795	7,111	-1,316
Net position:							
Net investment in capital assets	11,621	11,441	66	88	11,687	11,529	158
Restricted	2,318	2,003	-	-	2,318	2,003	315
Unrestricted	-3,529	-4,086	-47	-28	-3,576	-4,114	538
Total net position	\$10,410	\$9,358	\$19	\$60	\$10,429	\$9,418	\$1,011

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 represents 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. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

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

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

	<u>Governmental</u> <u>Activities</u>		<u>Business type</u> <u>Activities</u>		<u>Total</u> <u>District</u>		<u>Total</u>
	<u>June 30,</u> <u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>2015</u>	<u>Change</u> <u>June 30,</u> <u>2015-2016</u>
Revenues:							
Program revenues:							
Charges for service	\$2,600	\$2,356	\$663	\$640	\$3,263	\$2,996	8.9%
Operating grants, contributions and restricted interest	1,562	1,623	173	176	1,735	1,799	-3.6%
Capital grants, contributions	5	129	-	-	5	129	-96.1%
General revenues:							
Property tax	5,670	4,973	-	-	5,670	4,973	14.0%
Statewide sales & services tax	1,025	1,037	-	-	1,025	1,037	-1.2%
Unrestricted state grants	5,177	5,275	-	-	5,177	5,275	-1.9%
Unrestricted investment earnings	17	8	-	-	17	8	112.5%
Other	126	599	1	-	127	599	-78.8%
Total revenues	16,182	16,000	837	816	17,019	16,816	1.2%
Program expenses:							
Governmental activities:							
Instruction	9,760	9,542	-	-	9,760	9,542	2.3%
Support services	3,797	3,516	6	7	3,803	3,523	7.9%
Non-instructional programs	-	-	871	834	871	834	4.4%
Other expenses	1,573	1,619	-	-	1,573	1,619	-2.8%
Total expenses	15,130	14,677	877	841	16,007	15,518	3.2%
Change in net position	\$1,052	\$1,323	\$-40	\$-25	\$1,012	\$1,298	-22.0%

Property tax and unrestricted state grants account for 67% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total governmental activities expenses.

Overall net position increased \$1,012,129 for the current year.

Governmental Activities

Revenues for governmental activities were \$16,182,608 and expenses were \$15,130,507.

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	
	2015	2016	2015	2016
Instruction	\$9,542	\$9,760	\$6,205	\$6,297
Support services	3,516	3,797	3,195	3,538
Non-instructional programs	-	-	-	-
Other expenses	1,619	1,573	1,168	1,129
Totals	\$14,677	\$15,130	\$10,568	\$10,964

The cost financed by users of the District’s programs was \$2,599,710.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,567,217.
- The net cost of governmental activities was financed with \$6,695,191 in property and other taxes and \$5,176,954 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$837,057 and expenses were \$877,029. 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.

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 \$4,258,546 as compared to last year’s ending fund balances of \$3,471,244.

Governmental Fund Highlights

- General Fund revenues increased from \$12,893,280 in fiscal 2015 to \$13,115,525 in fiscal 2016, while General Fund expenditures increased from \$12,672,321 in fiscal 2015 to \$12,746,168 in fiscal 2016. The District's General Fund balance increased from \$1,406,796 in fiscal 2015 to \$1,778,545 in fiscal 2016.
- 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 2016.
- The General Fund Unspent Authorized Budget increased from \$3,120,566 in fiscal 2015 to \$3,255,081 in fiscal 2016. The Unspent Authorized Budget as determined annually by the Iowa Department of Management is the previous years' accumulation of unspent State of Iowa authorized spending authority. Mount Vernon School Board policy 1004 has a goal of unspent authority as compared to total General Fund expenditures at 10% and at fiscal 2016 this percentage was 25.5%.
- School Board policy 1004 has a goal of a solvency ratio of at least 10%. The solvency ratio is the General Fund undesignated and unreserved fund balance divided by General Fund total revenue. For fiscal year 2016 the solvency ratio was 12.6%.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$22.8 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 \$1,001,324.

The original cost of the District's capital assets was \$32.8 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, 2015-2016
	2016	2015	2016	2015	2016	2015	
Land	\$358	\$358	-	-	\$358	\$358	\$-
Buildings	21,196	21,731	-	-	21,196	21,731	-535
Improvements other than buildings	554	539	-	-	554	539	15
Furniture and equipment	668	913	66	88	734	1,001	-267
Totals	\$22,776	\$23,541	\$66	\$88	\$22,842	\$23,629	\$-787

Long-Term Debt

At June 30, 2016, the District had \$17,705,204 of Governmental Activities long-term debt 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, 2015-2016
	2016	2015	
General obligation bonds	\$4,495	\$5,030	\$-535
Local sales tax bonds	6,660	7,000	-340
Energy Loan Notes	-	70	-70
Early retirement	137	-	137
Net pension liability	6,343	5,027	1,316
OPEB liability	70	62	8
Totals	\$17,705	\$17,189	\$516

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.

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.

Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,016,604	\$ 197,234	\$ 5,213,838
Receivables:			
Property tax:			
Current year	43,322	-	43,322
Succeeding year	5,246,671	-	5,246,671
Income surtax	457,853	-	457,853
Accounts	405	14,251	14,656
Due from other governments	584,013	-	584,013
Inventories	-	5,820	5,820
Capital assets, net of accumulated depreciation (note 4)	22,776,114	65,941	22,842,055
Total assets	34,124,982	283,246	34,408,228
Deferred Outflows of Resources			
Pension related deferred outflows	1,298,186	50,859	1,349,045
Liabilities			
Accounts payable	186,177	1,829	188,006
Salaries and benefits payable	1,199,387	30,402	1,229,789
Advances from grantors	234	-	234
Unearned revenue	-	13,323	13,323
Accrued interest payable	147,840	-	147,840
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	45,579	-	45,579
Bonds payable	895,000	-	895,000
Portion due after one year:			
Early retirement	91,157	-	91,157
Bonds payable	10,260,000	-	10,260,000
Net pension liability	6,343,468	248,518	6,591,986
Net OPEB liability	70,000	-	70,000
Total liabilities	19,238,842	294,072	19,532,914

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 5,246,671	\$ -	\$ 5,246,671
Pension related deferred inflows	527,943	20,683	548,626
Total deferred inflows of resources	<u>5,774,614</u>	<u>20,683</u>	<u>5,795,297</u>
Net Position			
Net investment in capital assets	11,621,114	65,941	11,687,055
Restricted for:			
Categorical funding	122,897	-	122,897
Debt service	1,209,337	-	1,209,337
Capital projects	459,607	-	459,607
Physical plant and equipment levy purposes	233,766	-	233,766
Management levy purposes	62,519	-	62,519
Student activities	155,557	-	155,557
Public education and recreation	74,639	-	74,639
Unrestricted	<u>(3,529,724)</u>	<u>(46,591)</u>	<u>(3,576,315)</u>
Total net position	<u>\$ 10,409,712</u>	<u>\$ 19,350</u>	<u>\$ 10,429,062</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 9,760,203	\$ 2,599,710	\$ 858,192	\$ 5,000
Support services:				
Student	305,792	-	244,865	-
Instructional staff	623,482	-	9,390	-
Administration	1,563,440	-	-	-
Operation and maintenance of plant	931,377	-	-	-
Transportation	373,297	-	5,551	-
Total support services	3,797,388	-	259,806	-
Other expenditures:				
Facilities acquisition	148,305	-	100	-
Long-term debt interest and fiscal charges	367,719	-	-	-
AEA flowthrough	444,119	-	444,119	-
Depreciation (unallocated) *	612,773	-	-	-
Total other expenditures	1,572,916	-	444,219	-
Total governmental activities	15,130,507	2,599,710	1,562,217	5,000

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (6,297,301)	\$ -	\$ (6,297,301)
(60,927)	-	(60,927)
(614,092)	-	(614,092)
(1,563,440)	-	(1,563,440)
(931,377)	-	(931,377)
(367,746)	-	(367,746)
(3,537,582)	-	(3,537,582)
(148,205)	-	(148,205)
(367,719)	-	(367,719)
-	-	-
(612,773)	-	(612,773)
(1,128,697)	-	(1,128,697)
(10,963,580)	-	(10,963,580)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Administration	\$ 2,080	\$ -	\$ -	\$ -
Operation and maintenance of plant	3,695	-	-	-
	<u>5,775</u>	-	-	-
Non-instructional programs:				
Food service operations	672,865	461,324	172,640	-
Daycare operations	198,389	201,858	-	-
	<u>871,254</u>	<u>663,182</u>	<u>172,640</u>	<u>-</u>
Total business-type activities	<u>877,029</u>	<u>663,182</u>	<u>172,640</u>	<u>-</u>
Total school district	<u>\$ 16,007,536</u>	<u>\$ 3,262,892</u>	<u>\$ 1,734,857</u>	<u>\$ 5,000</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
\$ -	\$ (2,080)	\$ (2,080)
-	(3,695)	(3,695)
-	(5,775)	(5,775)
-	(38,901)	(38,901)
-	3,469	3,469
-	(35,432)	(35,432)
-	(41,207)	(41,207)
(10,963,580)	(41,207)	(11,004,787)

\$ 4,031,329	\$ -	\$ 4,031,329
623,891	-	623,891
541,894	-	541,894
473,229	-	473,229
1,024,848	-	1,024,848
5,176,954	-	5,176,954
17,461	1,235	18,696
126,075	-	126,075
12,015,681	1,235	12,016,916
1,052,101	(39,972)	1,012,129
9,357,611	59,322	9,416,933
\$ 10,409,712	\$ 19,350	\$ 10,429,062

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,679,166	\$ 523,309	\$ 1,377,871	\$ 436,258	\$ 5,016,604
Receivables:					
Property tax:					
Current year	31,554	4,959	4,012	2,797	43,322
Succeeding year	3,755,346	616,119	502,795	372,411	5,246,671
Income surtax	457,853	-	-	-	457,853
Accounts	405	-	-	-	405
Due from other governments	415,958	-	168,055	-	584,013
 Total assets	 <u>\$ 7,340,282</u>	 <u>\$ 1,144,387</u>	 <u>\$ 2,052,733</u>	 <u>\$ 811,466</u>	 <u>\$ 11,348,868</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 148,917	\$ -	\$ 27,656	\$ 9,604	\$ 186,177
Salaries and benefits payable	1,199,387	-	-	-	1,199,387
Advances from grantors	234	-	-	-	234
Total liabilities	<u>1,348,538</u>	<u>-</u>	<u>27,656</u>	<u>9,604</u>	<u>1,385,798</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,755,346	616,119	502,795	372,411	5,246,671
Other	457,853	-	-	-	457,853
Total deferred inflows of resources	<u>4,213,199</u>	<u>616,119</u>	<u>502,795</u>	<u>372,411</u>	<u>5,704,524</u>
Fund balances:					
Restricted for:					
Categorical funding (note 12)	122,897	-	-	-	122,897
Revenue bonds	-	-	828,909	-	828,909
Revenue bonds sinking fund	-	496,832	-	-	496,832
Debt service	-	31,436	-	-	31,436
School infrastructure	-	-	459,607	-	459,607
Physical plant and equipment	-	-	233,766	-	233,766
Management levy purposes	-	-	-	199,255	199,255
Student activities	-	-	-	155,557	155,557
Public education and recreation	-	-	-	74,639	74,639
Unassigned	1,655,648	-	-	-	1,655,648
Total fund balances	<u>1,778,545</u>	<u>528,268</u>	<u>1,522,282</u>	<u>429,451</u>	<u>4,258,546</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,340,282</u>	<u>\$ 1,144,387</u>	<u>\$ 2,052,733</u>	<u>\$ 811,466</u>	<u>\$ 11,348,868</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, 2016

Total fund balances of governmental funds		\$	4,258,546
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.			22,776,114
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.			457,853
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.			(147,840)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
	Deferred outflows of resources	\$ 1,298,186	
	Deferred inflows of resources	<u>(527,943)</u>	770,243
Long-term liabilities, including early retirement, bonds payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			<u>(17,705,204)</u>
Net position of governmental activities		\$	<u><u>10,409,712</u></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, 2016

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,146,920	\$ 614,966	\$ 497,012	\$ 321,804	\$ 5,580,702
Tuition	1,977,506	-	-	-	1,977,506
Other	194,413	1,355	10,027	557,919	763,714
State sources	6,469,382	8,925	1,032,061	5,059	7,515,427
Federal sources	327,304	-	-	-	327,304
Total revenues	<u>13,115,525</u>	<u>625,246</u>	<u>1,539,100</u>	<u>884,782</u>	<u>16,164,653</u>
Expenditures:					
Current:					
Instruction	8,946,395	-	59,526	606,878	9,612,799
Support services:					
Student	306,361	-	-	-	306,361
Instructional staff	581,143	-	17,362	-	598,505
Administration	1,379,162	-	81,864	103,417	1,564,443
Operation and maintenance of plant	795,967	-	30,866	61,823	888,656
Transportation	293,021	-	134,196	17,025	444,242
	<u>3,355,654</u>	<u>-</u>	<u>264,288</u>	<u>182,265</u>	<u>3,802,207</u>
Other expenditures:					
Facilities acquisition	-	-	202,123	-	202,123
Long term debt:					
Principal	-	945,000	-	-	945,000
Interest and fiscal charges	-	373,495	-	-	373,495
AEA flowthrough	444,119	-	-	-	444,119
	<u>444,119</u>	<u>1,318,495</u>	<u>202,123</u>	<u>-</u>	<u>1,964,737</u>
Total expenditures	<u>12,746,168</u>	<u>1,318,495</u>	<u>525,937</u>	<u>789,143</u>	<u>15,379,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>369,357</u>	<u>(693,249)</u>	<u>1,013,163</u>	<u>95,639</u>	<u>784,910</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 2,392	\$ -	\$ -	\$ -	\$ 2,392
Interfund transfers in (note 3)	-	711,425	-	-	711,425
Interfund transfers out (note 3)	-	-	(711,425)	-	(711,425)
Total other financing sources (uses)	<u>2,392</u>	<u>711,425</u>	<u>(711,425)</u>	<u>-</u>	<u>2,392</u>
Change in fund balances	371,749	18,176	301,738	95,639	787,302
Fund balances beginning of year	<u>1,406,796</u>	<u>510,092</u>	<u>1,220,544</u>	<u>333,812</u>	<u>3,471,244</u>
Fund balances end of year	<u>\$ 1,778,545</u>	<u>\$ 528,268</u>	<u>\$ 1,522,282</u>	<u>\$ 429,451</u>	<u>\$ 4,258,546</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, 2016

Change in fund balances - total governmental funds \$ 787,302

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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 210,234	
Capital assets contributed by other entities	5,000	
Depreciation expense	<u>(979,663)</u>	(764,429)

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. 10,563

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 945,000

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, interest expense is recognized as the interest accrues, regardless of when it is due. 5,776

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 12,115

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	\$ (136,736)	
Pension expense	200,510	
Net OPEB liability	<u>(8,000)</u>	<u>55,774</u>

Change in net position of governmental activities \$ 1,052,101

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	School Nutrition	Nonmajor- Daycare	Total
Assets			
Cash and cash equivalents	\$ 157,178	\$ 40,056	\$ 197,234
Accounts receivable	-	14,251	14,251
Inventories	5,820	-	5,820
Capital assets, net of accumulated depreciation (note 4)	65,941	-	65,941
Total assets	<u>228,939</u>	<u>54,307</u>	<u>283,246</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>33,997</u>	<u>16,862</u>	<u>50,859</u>
Liabilities			
Accounts payable	417	1,412	1,829
Salaries and benefits payable	16,521	13,881	30,402
Unearned revenue	13,323	-	13,323
Net pension liability	166,118	82,400	248,518
Total liabilities	<u>196,379</u>	<u>97,693</u>	<u>294,072</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>13,826</u>	<u>6,857</u>	<u>20,683</u>
Fund Net Position			
Net investment in capital assets	65,941	-	65,941
Unrestricted	<u>(13,210)</u>	<u>(33,381)</u>	<u>(46,591)</u>
Total fund net position	<u>\$ 52,731</u>	<u>\$ (33,381)</u>	<u>\$ 19,350</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, 2016

	School Nutrition	Nonmajor- Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 461,324	\$ 201,858	\$ 663,182
Operating expenses:			
Support services:			
Administration:			
Purchased services	2,080	-	2,080
Operation and maintenance of plant:			
Purchased services	3,406	-	3,406
Supplies	289	-	289
Non-instructional programs:			
Salaries	218,930	141,263	360,193
Benefits	65,575	37,049	102,624
Purchased services	12,677	1,237	13,914
Supplies	354,022	18,840	372,862
Depreciation	21,661	-	21,661
Total operating expenses	<u>678,640</u>	<u>198,389</u>	<u>877,029</u>
Operating income (loss)	(217,316)	3,469	(213,847)
Non-operating revenues:			
Interest on investments	1,130	105	1,235
State sources	4,526	-	4,526
Federal sources	168,114	-	168,114
Total non-operating revenues	<u>173,770</u>	<u>105</u>	<u>173,875</u>
Change in fund net position	(43,546)	3,574	(39,972)
Fund net position beginning of year	<u>96,277</u>	<u>(36,955)</u>	<u>59,322</u>
Fund net position end of year	<u>\$ 52,731</u>	<u>\$ (33,381)</u>	<u>\$ 19,350</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>School Nutrition</u>	<u>Nonmajor- Daycare</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 459,762	\$ -	\$ 459,762
Cash received from miscellaneous operating activities	-	199,513	199,513
Cash paid to employees for services	(287,477)	(169,501)	(456,978)
Cash paid to suppliers for goods or services	(328,103)	(19,279)	(347,382)
Net cash provided by (used by) operating activities	<u>(155,818)</u>	<u>10,733</u>	<u>(145,085)</u>
Cash flows from non-capital financing activities:			
State grants received	4,526	-	4,526
Federal grants received	133,642	-	133,642
Net cash provided by non-capital financing activities	<u>138,168</u>	<u>-</u>	<u>138,168</u>
Cash flows from investing activities:			
Interest on investments	<u>1,130</u>	<u>105</u>	<u>1,235</u>
Net increase (decrease) in cash and cash equivalents	(16,520)	10,838	(5,682)
Cash and cash equivalents beginning of year	<u>173,698</u>	<u>29,218</u>	<u>202,916</u>
Cash and cash equivalents end of year	<u>\$ 157,178</u>	<u>\$ 40,056</u>	<u>\$ 197,234</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<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)	\$ (217,316)	\$ 3,469	\$ (213,847)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	21,661	-	21,661
Commodities used	34,472	-	34,472
(Increase) in accounts receivable	-	(2,345)	(2,345)
Decrease in interfund receivable	12,939	-	12,939
(Increase) in inventories	(2,063)	-	(2,063)
Increase (decrease) in accounts payable	(1,631)	798	(833)
Increase in salaries and benefits payable	2,803	5,137	7,940
(Decrease) in unearned revenue	(1,562)	-	(1,562)
(Increase) in deferred outflows of resources	(3,763)	(3,108)	(6,871)
(Decrease) in deferred inflows of resources	(36,228)	(15,913)	(52,141)
Increase in net pension liability	34,870	22,695	57,565
Net cash provided by (used by) operating activities	<u>\$ (155,818)</u>	<u>\$ 10,733</u>	<u>\$ (145,085)</u>

Non-cash financing activities:

During the year ended June 30, 2016, the District received \$34,472 of federal commodities.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>947</u>	\$ <u>5,324</u>
Liabilities:		
Accounts payable	-	5,025
Other payables	<u>-</u>	<u>299</u>
Total liabilities	<u>-</u>	<u>5,324</u>
Fiduciary Net Position:		
Restricted for scholarships	\$ <u><u>947</u></u>	\$ <u><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, 2016

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Local sources:		
Interest	\$	2
Fiduciary net position beginning of year		<u>945</u>
Fiduciary net position end of year	\$	<u><u>947</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following 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, 2016

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, 2016

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, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

For purposes of the Statement of Cash Flows, all short-term 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2016 will not be received by the District until several month 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, 2016

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, 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

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

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.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies (continued)

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

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, 2016.

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

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

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

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.

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, 2016, expenditures/expenses did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2. Cash and Pooled Investments

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

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>94,447</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>711,425</u></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, 2016

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Capital assets being depreciated:				
Buildings	27,240,386	-	-	27,240,386
Improvements other than buildings	1,169,835	53,818	-	1,223,653
Furniture and equipment	3,597,214	161,416	42,099	3,716,531
Total capital assets being depreciated	<u>32,007,435</u>	<u>215,234</u>	<u>42,099</u>	<u>32,180,570</u>
Less accumulated depreciation for:				
Buildings	5,509,926	534,671	-	6,044,597
Improvements other than buildings	630,360	39,118	-	669,478
Furniture and equipment	2,684,743	405,874	42,099	3,048,518
Total accumulated depreciation	<u>8,825,029</u>	<u>979,663</u>	<u>42,099</u>	<u>9,762,593</u>
Total capital assets being depreciated, net	<u>23,182,406</u>	<u>(764,429)</u>	<u>-</u>	<u>22,417,977</u>
Governmental activities capital assets, net	<u>\$ 23,540,543</u>	<u>\$ (764,429)</u>	<u>\$ -</u>	<u>\$ 22,776,114</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 256,548	\$ -	\$ 1,142	\$ 255,406
Less accumulated depreciation	168,946	21,661	1,142	189,465
Business-type activities capital assets, net	<u>\$ 87,602</u>	<u>\$ (21,661)</u>	<u>\$ -</u>	<u>\$ 65,941</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 243,267

Support services:

Student support 4,480

Instructional staff 33,665

Administration 23,576

Operation and maintenance of plant 13,197

Transportation 48,705

366,890

Unallocated depreciation 612,773

Total depreciation expense - governmental activities \$ 979,663

Business-type activities:

Food service operations \$ 21,661

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ -	\$ 136,736	\$ -	\$ 136,736	\$ 45,579
General obligation bonds	5,030,000	-	535,000	4,495,000	540,000
Revenue bonds	7,000,000	-	340,000	6,660,000	355,000
Energy loan notes	70,000	-	70,000	-	-
Net pension liability	5,026,747	1,316,721	-	6,343,468	-
Net OPEB liability	62,000	8,000	-	70,000	-
Total	\$ 17,188,747	\$ 1,461,457	\$ 945,000	\$ 17,705,204	\$ 940,579
Business-type activities:					
Net pension liability	\$ 190,953	\$ 57,565	\$ -	\$ 248,518	\$ -

Early Retirement

The District offered a voluntary early retirement plan to its certified and buildings and grounds maintenance employees for the 2015-2016 school year only. Eligible employees had to be at least age fifty-five on or before the actual date of retirement and have completed at least 20 continuous years of service with 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 employee is equal to 66% of the employee's base salary calculated by using the current year single salary schedule and not including any supplemental duty pay, the school benefit, any pay on the extra pay schedule, or any overtime pay. Early retirement benefits will be paid to a tax sheltered annuity in three annual installments in October.

At June 30, 2016, the District has obligations to three participants with a total liability of \$136,736. There were no actual early retirement expenditures for the year ended June 30, 2016. 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, 2016

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

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

Year Ending June 30,	Issue dated June 1, 2012			
	Interest Rates	Principal	Interest	Total
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	1.55	555,000	53,027	608,027
2021	1.75	560,000	44,425	604,425
2022-2024	1.90-2.05	1,745,000	70,515	1,815,515
		<u>\$ 4,495,000</u>	<u>\$ 367,260</u>	<u>\$ 4,862,260</u>

Revenue Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	4.000	400,000	237,230	637,230
2021	4.000	415,000	220,930	635,930
2022-2026	4.100-4.500	2,380,000	820,577	3,200,577
2027-2030	4.625-4.700	2,360,000	228,040	2,588,040
		<u>\$ 6,660,000</u>	<u>\$ 2,304,662</u>	<u>\$ 8,964,662</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District pledged future statewide sales, services and use 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, services and use 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 62 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,964,662. For the current year, principal of \$340,000 and interest of \$288,760 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,024,848.

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, services and use 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 payments 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.

Note 6. Pension Plan

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2016 were \$834,577.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$6,591,986 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District’s proportion was 0.133428 percent, which was an increase of 0.001864 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$615,752. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 99,597	\$ -
Changes of assumptions	181,494	-
Net difference between projected and actual earnings on pension plan investments	-	548,626
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	233,377	-
District contributions subsequent to the measurement date	<u>834,577</u>	<u>-</u>
Total	<u>\$ 1,349,045</u>	<u>\$ 548,626</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

\$834,577 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (123,387)
2018	(123,387)
2019	(123,387)
2020	322,801
2021	<u>13,202</u>
Total	<u>\$ (34,158)</u>

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Pension Plan (continued)

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 11,541,382	\$ 6,591,986	\$ 2,414,341

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. 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 22 active and 1 retired member 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 benefits 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.

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

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

Annual required contribution	\$ 11,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost	9,000
Contributions made	<u>(1,000)</u>
Increase in net OPEB obligation	8,000
Net OPEB obligation beginning of year	<u>62,000</u>
Net OPEB obligation end of year	<u><u>\$ 70,000</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, 2016.

For the year ended June 30, 2016, the District contributed \$1,000 to the medical plan.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 21,000	23.8%	\$ 46,000
2015	19,000	15.8%	62,000
2016	9,000	11.1%	70,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$75,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$75,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,110,000, and the ratio of the UAAL to covered payroll was 6.8%. As of June 30, 2016, there were no trust fund assets.

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

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

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

Mortality rates are from the RP 2000 Annuity Mortality Table projected to 2015, 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 8. Short-Term Debt Activity

During the year ended June 30, 2016, the District entered into short-term interfund loans from the Capital Projects Fund to the Special Revenue, Management Levy Fund and from the Special Revenue, Student Activity Fund and the Enterprise, School Nutrition Fund to the General 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 revenues. The loans included interest at 0.10%.

A summary of the short-term debt activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
General Fund	\$ -	\$ 350,000	\$ 350,000	\$ -
Management Levy Fund	-	65,000	65,000	-
Total	<u>\$ -</u>	<u>\$ 415,000</u>	<u>\$ 415,000</u>	<u>\$ -</u>

Note 9. 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 payments under the lease agreements are as follows:

Year Ending June 30,	Amount
2017	\$ 39,820
2018	8,971
2019	<u>1,121</u>
	<u>\$ 49,912</u>

Total payments on operating lease agreements for the year ended June 30, 2016 were \$36,325.

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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 \$444,119 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Successful progression for early readers	\$ 52,379
Professional development	66,207
Teacher leadership grants	<u>4,311</u>
Total	<u>\$ 122,897</u>

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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, 2016

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 8,321,922	\$ 664,417	\$ 8,986,339	\$ 9,057,886	\$ (71,547)
State sources	7,515,427	4,526	7,519,953	7,984,071	(464,118)
Federal sources	327,304	168,114	495,418	525,288	(29,870)
Total revenues	<u>16,164,653</u>	<u>837,057</u>	<u>17,001,710</u>	<u>17,567,245</u>	<u>(565,535)</u>
EXPENDITURES/EXPENSES:					
Instruction	9,612,799	-	9,612,799	10,677,265	1,064,466
Support services	3,802,207	5,775	3,807,982	4,255,454	447,472
Non-instructional programs	-	871,254	871,254	1,127,852	256,598
Other expenditures	1,964,737	-	1,964,737	2,867,661	902,924
Total expenditures/expenses	<u>15,379,743</u>	<u>877,029</u>	<u>16,256,772</u>	<u>18,928,232</u>	<u>2,671,460</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	784,910	(39,972)	744,938	(1,360,987)	2,105,925
Other financing sources, net	2,392	-	2,392	3,515	(1,123)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	787,302	(39,972)	747,330	(1,357,472)	2,104,802
Balance beginning of year	<u>3,471,244</u>	<u>59,322</u>	<u>3,530,566</u>	<u>3,273,005</u>	<u>257,561</u>
Balance end of year	<u>\$ 4,258,546</u>	<u>\$ 19,350</u>	<u>\$ 4,277,896</u>	<u>\$ 1,915,533</u>	<u>\$ 2,362,363</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 ended June 30, 2016, expenditures/expenses did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.133428	0.131564
District's proportionate share of the net pension liability	\$ 6,592	\$ 5,218
District's covered-employee payroll	\$ 9,141	\$ 8,609
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report.

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

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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 835	\$ 821	\$ 769	\$ 711
Contributions in relation to the statutorily required contribution	<u>(835)</u>	<u>(821)</u>	<u>(769)</u>	<u>(711)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,346	\$ 9,141	\$ 8,609	\$ 8,205
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 625	\$ 506	\$ 484	\$ 454	\$ 400	\$ 355
<u>(625)</u>	<u>(506)</u>	<u>(484)</u>	<u>(454)</u>	<u>(400)</u>	<u>(355)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 7,748	\$ 7,277	\$ 7,278	\$ 7,142	\$ 6,611	\$ 6,169
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information
Year Ended June 30, 2016

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2015	July 1, 2012	-	120	120	0.0%	878	13.7%
2016	July 1, 2015	-	75	75	0.0%	1,110	6.8%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue			
	Management Levy	Student Activity	Public Education and Recreation Levy	Total
Assets				
Cash and pooled investments	\$ 197,776	\$ 164,160	\$ 74,322	\$ 436,258
Receivables:				
Property tax:				
Current year	2,480	-	317	2,797
Succeeding year	334,673	-	37,738	372,411
	<u>\$ 534,929</u>	<u>\$ 164,160</u>	<u>\$ 112,377</u>	<u>\$ 811,466</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,001	\$ 8,603	\$ -	\$ 9,604
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	334,673	-	37,738	372,411
	<u>334,673</u>	<u>-</u>	<u>37,738</u>	<u>372,411</u>
Fund balances:				
Restricted for:				
Management levy purposes	199,255	-	-	199,255
Student activities	-	155,557	-	155,557
Public education and recreation	-	-	74,639	74,639
Total fund balances	<u>199,255</u>	<u>155,557</u>	<u>74,639</u>	<u>429,451</u>
	<u>\$ 534,929</u>	<u>\$ 164,160</u>	<u>\$ 112,377</u>	<u>\$ 811,466</u>

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, 2016

	Special Revenue			Total
	Management Levy	Student Activity	Public Education and Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 284,718	\$ -	\$ 37,086	\$ 321,804
Other	19,080	538,636	203	557,919
State sources	4,476	-	583	5,059
Total revenues	<u>308,274</u>	<u>538,636</u>	<u>37,872</u>	<u>884,782</u>
Expenditures:				
Current:				
Instruction	102,930	503,948	-	606,878
Support services:				
Administration	103,417	-	-	103,417
Operation and maintenance of plant	61,823	-	-	61,823
Transportation	17,025	-	-	17,025
Total expenditures	<u>285,195</u>	<u>503,948</u>	<u>-</u>	<u>789,143</u>
Excess of revenues over expenditures	23,079	34,688	37,872	95,639
Fund balances beginning of year	<u>176,176</u>	<u>120,869</u>	<u>36,767</u>	<u>333,812</u>
Fund balances end of year	<u>\$ 199,255</u>	<u>\$ 155,557</u>	<u>\$ 74,639</u>	<u>\$ 429,451</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,123,904	\$ 253,967	\$ 1,377,871
Receivables:			
Property tax:			
Current year	-	4,012	4,012
Succeeding year	-	502,795	502,795
Due from other governments	168,055	-	168,055
 Total assets	 \$ 1,291,959	 \$ 760,774	 \$ 2,052,733
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,443	\$ 24,213	\$ 27,656
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	502,795	502,795
 Fund balances:			
Restricted for:			
Revenue bonds	828,909	-	828,909
School infrastructure	459,607	-	459,607
Physical plant and equipment	-	233,766	233,766
Total fund balances	1,288,516	233,766	1,522,282
 Total liabilities, deferred inflows of resources and fund balances	 \$ 1,291,959	 \$ 760,774	 \$ 2,052,733

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, 2016

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 497,012	\$ 497,012
Other	9,245	782	10,027
State sources	1,024,848	7,213	1,032,061
Total revenues	<u>1,034,093</u>	<u>505,007</u>	<u>1,539,100</u>
Expenditures:			
Current:			
Instruction	59,526	-	59,526
Support services:			
Instructional staff	8,644	8,718	17,362
Administration	-	81,864	81,864
Operation and maintenance of plant	-	30,866	30,866
Transportation	-	134,196	134,196
Other expenditures:			
Facilities acquisition	-	202,123	202,123
Total expenditures	<u>68,170</u>	<u>457,767</u>	<u>525,937</u>
Excess of revenues over expenditures	965,923	47,240	1,013,163
Other financing uses:			
Interfund transfers out	<u>(711,425)</u>	-	<u>(711,425)</u>
Change in fund balances	254,498	47,240	301,738
Fund balances beginning of year	<u>1,034,018</u>	<u>186,526</u>	<u>1,220,544</u>
Fund balances end of year	<u>\$ 1,288,516</u>	<u>\$ 233,766</u>	<u>\$ 1,522,282</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, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Drama & Speech	\$ -	\$ 3,757	\$ 3,757	\$ -
Musical	4,007	15,733	12,611	7,129
Vocal	1,410	2,722	3,074	1,058
Jazz Choir	2,126	2,538	3,122	1,542
Band	-	3,538	3,384	154
Fine Arts	2,285	57,640	59,337	588
Jazz Band	-	2,759	1,370	1,389
Cross Country Co-Ed	-	2,348	2,348	-
Girls Tennis	-	671	671	-
Boys Basketball	-	13,298	13,298	-
Boys Football	-	28,137	28,137	-
Boys Soccer	-	3,555	3,555	-
Boys Baseball	-	6,967	6,967	-
Boys Track	-	5,497	5,497	-
Boys Golf	-	3,712	3,712	-
Miscellaneous Athletics	-	23,651	23,651	-
Boys Wrestling	-	7,500	7,500	-
Girls Basketball	-	9,249	9,249	-
Girls Volleyball	-	14,115	14,115	-
Girls Soccer	-	2,918	2,918	-
Girls Softball	-	12,628	12,628	-
Girls Track	-	6,072	6,072	-
Girls Golf	-	198	198	-
Fundraising Football	3,696	44,147	35,717	12,126
Fundraising Boys Soccer	562	2,657	2,368	851
Fundraising Girls Soccer	298	25	175	148
Boys Basketball Fundraising	4,793	5,335	8,436	1,692
Girls Track and Field Fundraising	2,947	5,102	5,709	2,340
Volleyball Fundraising	-	15,479	13,220	2,259
Fundraising Cross Country	960	4,087	3,759	1,288
Fundraising Boys Track	-	164	40	124
Fundraising Softball	3,630	13,252	13,671	3,211
Girls Basketball Fundraising	1,603	6,004	4,834	2,773
Baseball Fundraising	165	1,381	1,403	143
Activities Group Resale	-	1,875	1,845	30
Post Prom	-	3,000	500	2,500
J-Term Clubs	-	2,486	1,873	613
Band Trip Chicago	-	6,866	5,100	1,766
Mustang Motors Club	-	1,058	527	531
Art Club	2,212	450	1,630	1,032

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Student Activities Group	\$ 655	\$ 1,246	\$ 603	\$ 1,298
Strings	-	205	205	-
Music Uniform/Robe Cleaning	1,407	3,093	2,320	2,180
Academic Decathlon	100	-	-	100
Student Council	371	2,038	2,184	225
Chess Club	351	-	266	85
Yearbook	5,982	23,332	22,119	7,195
Class of 2016	1,243	1,100	1,828	515
Class of 2017	1,500	1,534	1,436	1,598
Class of 2018	-	750	200	550
Class of 2020	-	496	496	-
Class of 2021	833	-	833	-
Class of 2022	218	-	99	119
Cheerleading	1,562	8,242	5,834	3,970
Dance Group	1,583	-	1,583	-
Science Olympiad	656	2,015	985	1,686
Robotics	2,376	12,472	8,218	6,630
Garden Club	212	-	-	212
Archery Club	-	614	614	-
Student Council Project	-	221	221	-
Thespian Society Club	-	2,584	2,584	-
Speed and Agility Club	26	43,492	40,888	2,630
International Students Club	99	-	-	99
Key Club	-	2,438	1,357	1,081
Entrepreneur Club	-	7,554	6,869	685
Water Polo Club	-	90	90	-
German Trip	240	433	537	136
Spanish Club	1,309	10,162	9,751	1,720
Library Club	2,777	46	622	2,201
Mustang Munchies	-	193	84	109
Band Trip	238	-	-	238
Fall Play	949	2,356	2,722	583
Special Activities Group Fees	454	272	50	676
Middle School:				
Band	21	35	56	-
Cross Country	-	2,253	2,253	-
Boys Basketball	-	2,316	1,739	577
Boys Football	-	2,874	2,635	239
Boys Track	-	917	856	61
Boys Wrestling	-	1,398	1,197	201

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
Girls Basketball	\$ -	\$ 3,018	\$ 3,018	\$ -
Girls Volleyball	-	2,032	1,250	782
Girls Softball	-	533	533	-
Girls Track	-	625	267	358
Activities Group Resale	363	-	-	363
Student Activities Group	8,330	2,999	1,681	9,648
8th Grade Musical	809	-	724	85
Strings	1,474	1,106	1,498	1,082
Student Council	187	1,027	484	730
Yearbook	7,066	4,230	4,165	7,131
Science Olympiad	459	8,493	6,682	2,270
Canstruction	2,391	3,382	2,280	3,493
Book Club	-	86	86	-
Art Club	150	-	150	-
Pride	480	5,758	6,238	-
7th Grade Service Club	2,371	2,943	3,117	2,197
Band Instruments	1,306	765	1,210	861
Special Activities Group Fees	583	-	-	583
Trips	4,483	-	-	4,483
Birthday Books	69	3,654	2,530	1,193
Elementary:				
Student Activities Group	32,213	10,208	9,734	32,687
Strings	270	-	-	270
We Tap	325	4,312	4,342	295
Birthday Books	1,684	4,123	1,647	4,160
Total	\$ 120,869	\$ 538,636	\$ 503,948	\$ 155,557

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, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 4,359	\$ 104,831	\$ 103,866	\$ 5,324
Liabilities				
Accounts payable	1,647	5,025	1,647	5,025
Other payables	2,712	99,806	102,219	299
Total liabilities	\$ 4,359	\$ 104,831	\$ 103,866	\$ 5,324

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,			
	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 5,580,702	\$ 5,386,010	\$ 4,863,614	\$ 5,549,678
Tuition	1,977,506	1,835,254	1,857,442	1,877,946
Other	763,714	624,863	606,213	600,246
State sources	7,515,427	7,600,438	7,240,355	5,987,646
Federal sources	327,304	371,365	352,625	286,114
Total revenues	<u>\$ 16,164,653</u>	<u>\$ 15,817,930</u>	<u>\$ 14,920,249</u>	<u>\$ 14,301,630</u>
Expenditures:				
Instruction	\$ 9,612,799	\$ 9,578,809	\$ 9,076,080	\$ 8,739,732
Support services:				
Student	306,361	287,779	281,603	272,442
Instructional staff	598,505	592,021	797,204	957,381
Administration	1,564,443	1,518,545	1,636,223	1,602,997
Operation and maintenance of plant	888,656	937,466	878,827	763,626
Transportation	444,242	372,323	388,489	394,289
Other expenditures:				
Facilities acquisition	202,123	509,495	202,226	644,677
Long-term debt:				
Principal	945,000	925,000	6,110,000	995,000
Interest and fiscal charges	373,495	391,452	727,433	689,357
AEA flowthrough	444,119	443,381	411,234	393,008
Total expenditures	<u>\$ 15,379,743</u>	<u>\$ 15,556,271</u>	<u>\$ 20,509,319</u>	<u>\$ 15,452,509</u>

See accompanying independent auditor's report.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	5,710,704	\$ 5,409,382	\$ 4,917,569	\$ 4,596,588	\$ 4,585,983	\$ 3,434,909
	1,807,800	1,690,633	1,441,273	1,470,733	1,400,687	1,306,157
	631,686	625,355	503,031	575,068	595,915	909,387
	5,979,937	5,789,536	4,934,704	5,701,845	5,292,122	4,793,250
	242,345	631,863	1,120,415	562,174	432,670	261,517
\$	<u>14,372,472</u>	<u>14,146,769</u>	<u>12,916,992</u>	<u>12,906,408</u>	<u>12,307,377</u>	<u>10,705,220</u>
\$	8,037,426	\$ 7,203,900	\$ 7,083,873	\$ 7,057,764	\$ 6,433,667	\$ 6,677,440
	298,961	405,284	660,786	502,479	407,570	193,632
	619,775	629,914	601,292	493,556	434,847	276,986
	1,299,461	1,381,318	1,459,404	1,353,748	1,138,812	1,110,943
	903,180	719,689	751,148	925,912	892,467	829,924
	338,856	394,642	300,164	404,933	402,906	401,843
	4,293,760	1,738,194	786,461	1,802,268	1,238,509	1,536,328
	960,000	675,000	1,040,000	630,000	600,000	555,000
	702,670	593,910	676,513	447,423	449,826	447,438
	389,218	423,338	408,485	372,851	346,567	314,749
\$	<u>17,843,307</u>	<u>14,165,189</u>	<u>13,768,126</u>	<u>13,990,934</u>	<u>12,345,171</u>	<u>12,344,283</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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

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. We did identify a deficiency in internal control over financial reporting, described in Part I of the accompanying Schedule of Findings as item I-A-16, that we consider to be a significant deficiency.

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

Mount Vernon Community School District's Responses to the 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this 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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
November 28, 2016

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-16 Fundraiser Controls – For one Special Revenue, Student Activity Fund high school fundraiser tested, we noted that the supporting receipt documentation lacked the detail necessary for a proper reconciliation of cash collected.

Recommendation – The District should enforce the fundraiser control requirements. The District should ensure that the supporting documentation for fundraisers has enough detail to properly support the deposit.

Response – We will ensure that we obtain the necessary detailed documentation for fundraiser reconciliations in the future.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

Part II: Other Findings Related to Statutory Reporting:

- II-A-16 Certified Budget – Expenditures/expenses for the year ended June 30, 2016, did not exceed the amounts budgeted.
- II-B-16 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-16 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-16 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>
Rick Elliott, Board Member	Rent for classroom/ transition center	\$11,250 (a)
John Rhomberg, Board Member, Officer of One Mission Fundraising	Softball t-shirts	\$390 (b)

In accordance with Iowa Ethics and Campaign Disclosure Board (IECDB) Advisory Opinion 2005-18, the transaction designated with an (a) does not appear to be a conflict of interest since leasing of rental property is not considered a sale of goods or services.

In accordance with Chapter 279.7A of the Code of Iowa, the transaction designated with a (b) does not appear to be a conflict of interest since the cumulative amount for the Board Member does not exceed \$2,500 for the fiscal year.

- II-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-16 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the certified enrollment certification form for the fall of 2015 was overstated by two due to the inclusion of two students who were not enrolled as of the count date.

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, 2016

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

II-H-16 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for the fall of 2015 was overstated by 0.18 due to two courses that were already included in the CTE count for 2015-2016.

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

II-L-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	1,034,018
Revenues:			
Interest	\$	9,245	
Statewide sales, services and use tax		<u>1,024,848</u>	1,034,093
Expenditures/transfers out:			
Equipment		68,170	
Transfers to other funds:			
Debt Service Fund		<u>711,425</u>	<u>779,595</u>
Ending balance		\$	<u><u>1,288,516</u></u>

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2016

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

- II-M-16 Financial Condition – At June 30, 2016, the governmental activities, business-type activities, and the Enterprise, School Nutrition Fund and the Daycare Fund had deficit unrestricted net positions of \$3,529,724, \$46,591, \$13,210, and \$33,381, respectively. These deficit balances were caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the District’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the District’s financial statements.

Recommendation – Even though the deficits arose due to the net pension liability, deferred outflows of resources, and deferred inflows of resources, the District should investigate ways to return the governmental activities, business-type activities, the School Nutrition Fund and the Daycare Fund to sound financial conditions.

Response – We are unsure of what steps can be taken at this time to alleviate the balance of the District’s proportionate share of the IPERS liability and the related deferred outflows of resources and deferred inflows of resources since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities, business-type activities, the School Nutrition Fund and the Daycare Fund to sound financial conditions.

Conclusion – Response accepted.