

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
MOUNT VERNON, IOWA

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

JUNE 30, 2010

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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 2009 Election)		
Thomas Wieseler	President	2009
Bob Penn	Vice President	2011
John Cochrane	Board Member	2009
Paul Morf	Board Member	2009
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
Ann Stoner	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Thomas Wieseler	President	2013
Bob Penn	Vice President	2011
John Cochrane	Board Member	2013
Paul Morf	Board Member	2013
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
Ann Stoner	Board Member	2011
<u>School Officials</u>		
Pam Ewell	Superintendent	2011
Matt Burke	District Secretary/Treasurer	2010
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

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, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2010 on our consideration of Mount Vernon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein). For the four years ended June 30, 2009, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
December 8, 2010

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$10,329,676 in fiscal 2009 to \$10,218,007 in fiscal 2010, while General Fund expenditures increased from \$10,368,750 in fiscal 2009 to \$10,474,592 in fiscal 2010. The District's General Fund balance decreased from \$529,070 in fiscal 2009 to \$272,555 in fiscal 2010, a 48% decrease.
- The increase in General Fund expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in the expenditures related to the increased funding from the State of Iowa teacher salary improvement program.
- In 2010 the District completed a facility renovation project at the middle school primarily for the replacement of the heating and cooling system.

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 Assets and a Statement of Activities. These provide information about the activities of Mount Vernon Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

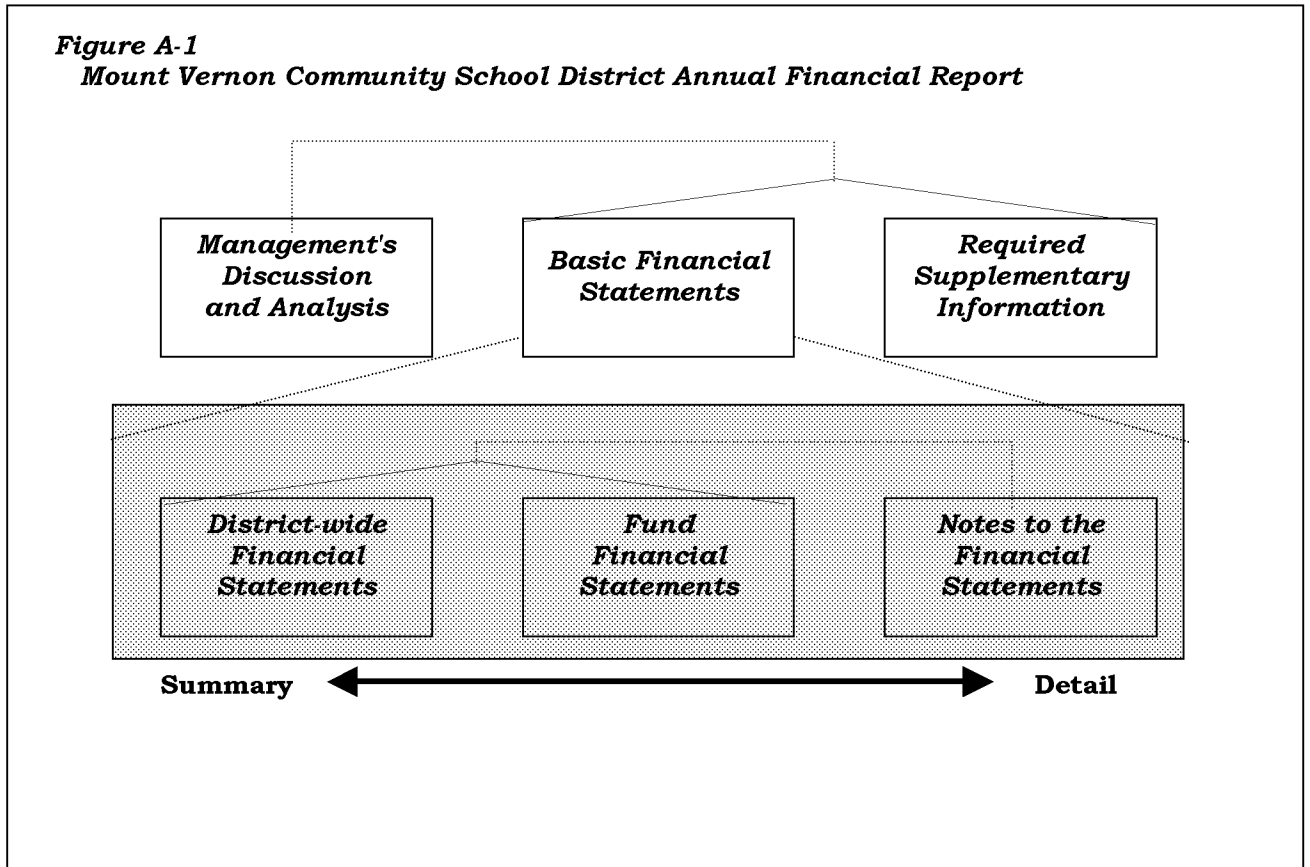


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 assets, a statement of revenues, expenses and changes in fund net assets 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 assets and a statement of changes in fiduciary net assets.

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 assets at June 30, 2010 as compared to June 30, 2009.

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

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2009-2010
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$13,772	\$7,682	\$66	\$87	\$13,838	\$7,769	\$6,069
Capital assets	18,499	18,124	145	153	18,644	18,277	367
Total assets	32,271	25,806	211	240	32,482	26,046	6,436
Long-term liabilities	16,482	11,405	-	-	16,482	11,405	5,077
Other liabilities	5,749	4,670	22	22	5,771	4,692	1,079
Total liabilities	22,231	16,075	22	22	22,253	16,097	6,156
Net assets:							
Invested in capital assets,							
Net of related debt	6,500	6,719	145	153	6,645	6,872	-277
Restricted	3,212	2,219	-	-	3,212	2,219	993
Unrestricted	329	793	43	66	372	859	-487
Total net assets	10,041	9,731	188	219	10,229	9,950	279

The largest portion of the District’s net assets 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 assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

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

Figure A-4 shows the change in net assets for the year ended June 30, 2010 as compared to June 30, 2009.

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

	<u>Governmental Activities</u>		<u>Business type Activities</u>		<u>Total District</u>		<u>Total Change</u>
	<u>June 30, 2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Revenues:							
Program revenues:							
Charges for service	\$1,817	1,880	\$539	\$532	2,356	\$2,412	-2.3%
Operating grants, contributions and restricted interest	1,888	1,660	158	133	2,046	1,793	14.1%
Capital grants, contributions and restricted interest	3	66	10	-	13	66	-80.3%
General revenues:							
Property tax	3,521	3,287	-	-	3,521	3,287	7.1%
Local option sales and service tax	1,104	950	-	-	1,104	950	16.2%
Unrestricted state grants	4,197	4,604	-	-	4,197	4,604	-8.8%
Unrestricted investment earnings	34	62	-	1	34	63	-46.0%
Other	405	458	-	-	405	458	-11.6%
Total revenues	12,969	12,967	707	666	13,676	13,633	.3%
Program expenses:							
Governmental activities:							
Instruction	7,355	7,160	-	-	7,355	7,160	2.7%
Support services	3,815	3,571	21	-	3,836	3,571	7.4%
Non-instructional programs	-	-	717	696	717	696	3.0%
Other expenses	1,519	1,411	-	-	1,519	1,411	7.7%
Total expenses	12,689	12,142	738	696	13,427	12,838	4.6%
Special item	28	-	-	-	28	-	100.0%
Change in net assets	\$308	825	(31)	\$(30)	278	\$795	-65.0%

Property tax and unrestricted state grants account for 60% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total governmental activities expenses.

Overall net assets increased approximately \$278,586 for the current year.

Governmental Activities

Revenues for governmental activities were \$12,997,663 and expenses were \$12,688,532.

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	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Instruction	\$7,160	7,355	4,436	4,523
Support services	3,571	3,815	3,135	3,375
Non-instructional programs	-	-	-	-
Other expenses	1,411	1,519	965	1,082
Totals	\$12,142	12,689	8,536	8,980

The cost financed by users of the District's programs was \$1,816,994.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,888,073.
- The net cost of governmental activities was financed with \$4,937,101 in property and other taxes and \$4,196,624 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$707,227 and expenses were \$737,772. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2010, the School Board approved an increase in meal prices for the 2009-2010 fiscal year to offset increasing food costs in the Nutrition Program.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,841,941 as compared to last year's ending fund balances of \$2,810,435. The primary reason for the increase was because revenue bonds were issued.

Governmental Fund Highlights

- General Fund revenues decreased from \$10,329,676 in fiscal 2009 to \$10,218,007 in fiscal 2010, while General Fund expenditures increased from \$10,368,750 in fiscal 2009 to \$10,474,592 in fiscal 2010. The District's General Fund balance decreased from \$529,070 in fiscal 2009 to \$272,555 in fiscal 2010, a 48% decrease.
- The increase in General Fund expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in the expenditures related to the increased funding from the State of Iowa teacher salary improvement program.
- In 2010 the District completed a facility renovation project at the middle school primarily for the replacement of the heating and cooling system.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mount Vernon Community School District amended its annual budget one time to reflect additional expenditures associated with construction renovation of school buildings. No functional budget areas were exceeded at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$18.6 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 5 to the financial statements. Depreciation expense for the year was \$680,072.

The original cost of the District's capital assets was \$24 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,
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Land	\$358	358	-	-	358	358	-
Construction in progress	812	-	-	-	812	-	812
Buildings	16,657	17,022	-	-	16,657	17,022	-365
Improvements other than buildings	249	249	-	-	249	249	-
Furniture and equipment	423	495	145	153	568	648	-80
Totals	18,499	18,124	145	153	18,644	18,277	367

Long-Term Debt

At June 30, 2010, the District had \$16,482,183 in general obligation debt and capital loan notes outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District June 30,		Total Change June 30,
	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
General obligation bonds	\$6,960	7,320	(360)
Local sales tax bonds	\$8,685	3,170	5,515
Energy Loan Notes	375	430	(55)
Capital Loan Notes	245	485	(240)

Early retirement	211	-	211
OPEB liability	6	-	6
Totals	16,482	11,405	(5,077)

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 Department of Revenue reduced the projected local option sales and services tax receipts for the District based on a slowing down of sales tax receipts in the State economy.

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 ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,752,110	\$ 83,239	\$ 8,835,349
Receivables:			
Property tax:			
Current year	29,385	-	29,385
Succeeding year	4,105,337	-	4,105,337
Income surtax	300,251	-	300,251
Accounts	20,198	-	20,198
Due from other governments	543,562	-	543,562
Interfund balances (note 4)	20,943	(20,943)	-
Inventories	-	3,280	3,280
Capital assets, net of accumulated depreciation (note 5)	18,499,363	145,283	18,644,646
Total assets	32,271,149	210,859	32,482,008
Liabilities			
Accounts payable	502,010	1,855	503,865
Salaries and benefits payable	819,383	9,536	828,919
Accrued interest payable	118,920	-	118,920
Early retirement	200,364	-	200,364
Deferred revenue:			
Succeeding year property tax	4,105,337	-	4,105,337
Other	2,500	11,331	13,831
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Bonds payable	375,000	-	375,000
Notes payable	300,000	-	300,000
Portion due after one year:			
Early retirement	211,183	-	211,183
Bonds payable	15,270,000	-	15,270,000
Notes payable	320,000	-	320,000
Net OPEB liability	6,000	-	6,000
Total liabilities	22,230,697	22,722	22,253,419

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 6,499,327	\$ 145,283	\$ 6,644,610
Restricted for:			
Categorical funding (note 12)	74,801	-	74,801
Physical plant and equipment levy	149,104	-	149,104
Other special revenue purposes	61,782	-	61,782
Debt service	902,193	-	902,193
Capital projects	2,024,170	-	2,024,170
Unrestricted	<u>329,075</u>	<u>42,854</u>	<u>371,929</u>
Total net assets	<u>\$ 10,040,452</u>	<u>\$ 188,137</u>	<u>\$ 10,228,589</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 7,355,042	\$ 1,796,976	\$ 1,034,785	\$ -
Support services:				
Student services	660,786	-	401,726	-
Instructional staff services	550,110	-	15,925	-
Administration services	1,511,330	15,684	-	-
Operation and maintenance of plant services	764,594	1,230	-	-
Transportation services	327,977	3,104	1,682	-
	<u>3,814,797</u>	<u>20,018</u>	<u>419,333</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	55,510	-	25,470	3,000
Long-term debt interest and fiscal charges	655,832	-	-	-
AEA flowthrough	408,485	-	408,485	-
Depreciation (unallocated) *	398,866	-	-	-
	<u>1,518,693</u>	<u>-</u>	<u>433,955</u>	<u>3,000</u>
Total governmental activities	<u>12,688,532</u>	<u>1,816,994</u>	<u>1,888,073</u>	<u>3,000</u>
Business-Type Activities:				
Support services:				
Administration services	21,201	-	-	-
Non-instructional programs:				
Food service operations	591,017	435,587	157,540	10,289
Daycare operations	85,054	65,942	-	-
Summer daycare operations	40,500	37,598	-	-
	<u>716,571</u>	<u>539,127</u>	<u>157,540</u>	<u>10,289</u>
Total business-type activities	<u>737,772</u>	<u>539,127</u>	<u>157,540</u>	<u>10,289</u>
Total	<u>\$ 13,426,304</u>	<u>\$ 2,356,121</u>	<u>\$ 2,045,613</u>	<u>\$ 13,289</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,523,281)	\$ -	\$ (4,523,281)
(259,060)	-	(259,060)
(534,185)	-	(534,185)
(1,495,646)	-	(1,495,646)
(763,364)	-	(763,364)
(323,191)	-	(323,191)
<u>(3,375,446)</u>	<u>-</u>	<u>(3,375,446)</u>
(27,040)	-	(27,040)
(655,832)	-	(655,832)
-	-	-
(398,866)	-	(398,866)
<u>(1,081,738)</u>	<u>-</u>	<u>(1,081,738)</u>
<u>(8,980,465)</u>	<u>-</u>	<u>(8,980,465)</u>
-	(21,201)	(21,201)
-	12,399	12,399
-	(19,112)	(19,112)
-	(2,902)	(2,902)
<u>-</u>	<u>(9,615)</u>	<u>(9,615)</u>
<u>-</u>	<u>(30,816)</u>	<u>(30,816)</u>
<u>(8,980,465)</u>	<u>(30,816)</u>	<u>(9,011,281)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

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

Total general revenues

Special item - gain on sale of building

Change in net assets

Net assets beginning of year

Net assets 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 Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>		<u>Total</u>
\$	2,471,482	\$ -	\$	2,471,482
	686,681	-		686,681
	363,214	-		363,214
	311,265	-		311,265
	1,104,459	-		1,104,459
	4,196,624	-		4,196,624
	33,515	271		33,786
	93,991	-		93,991
	<hr/> 9,261,231	271		9,261,502
	28,365	-		28,365
	<hr/> 309,131	(30,545)		278,586
	<hr/> 9,731,321	218,682		9,950,003
\$	<u>10,040,452</u>	<u>\$ 188,137</u>	<u>\$</u>	<u>10,228,589</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 886,892	\$ 94,962	\$ 7,412,241	\$ 358,015	\$ 8,752,110
Receivables:					
Property tax:					
Current year	19,561	5,551	-	4,273	29,385
Succeeding year	2,899,618	687,750	-	517,969	4,105,337
Income surtax	300,251	-	-	-	300,251
Interfund receivable (note 4)	20,943	-	-	-	20,943
Accounts	16,849	-	-	3,349	20,198
Due from other governments	363,849	-	179,713	-	543,562
Total assets	\$ 4,507,963	\$ 788,263	\$ 7,591,954	\$ 883,606	\$ 13,771,786
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 104,987	\$ -	\$ 382,924	\$ 14,099	\$ 502,010
Salaries and benefits payable	819,383	-	-	-	819,383
Early retirement payable (note 6)	108,669	-	-	91,695	200,364
Deferred revenue:					
Succeeding year property tax	2,899,618	687,750	-	517,969	4,105,337
Other	302,751	-	-	-	302,751
Total liabilities	4,235,408	687,750	382,924	623,763	5,929,845
Fund balances:					
Reserved for:					
Categorical funding (note 12)	74,801	-	-	-	74,801
Revenue bonds	-	-	828,909	-	828,909
Revenue bonds sinking fund	-	90,987	-	-	90,987
Debt service	-	9,526	-	-	9,526
Unreserved, reported in:					
General fund	197,754	-	-	-	197,754
Special revenue funds	-	-	-	259,843	259,843
Capital projects fund	-	-	6,380,121	-	6,380,121
Total fund balances	272,555	100,513	7,209,030	259,843	7,841,941
Total liabilities and fund balances	\$ 4,507,963	\$ 788,263	\$ 7,591,954	\$ 883,606	\$ 13,771,786

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2010

Total fund balances of governmental funds	\$ 7,841,941
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	18,499,363
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	300,251
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(118,920)
Long-term liabilities, including bonds and notes payable, early retirement payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(16,482,183)</u>
Net assets of governmental activities	<u><u>\$ 10,040,452</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, 2010

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,605,714	\$ 686,340	\$ 1,104,459	\$ 521,056	\$ 4,917,569
Tuition	1,441,273	-	-	-	1,441,273
Other	116,505	3,672	21,590	361,264	503,031
State sources	4,934,100	341	-	263	4,934,704
Federal sources	1,120,415	-	-	-	1,120,415
Total revenues	<u>10,218,007</u>	<u>690,353</u>	<u>1,126,049</u>	<u>882,583</u>	<u>12,916,992</u>
Expenditures:					
Current:					
Instruction	6,731,586	-	-	352,287	7,083,873
Support services:					
Student services	660,786	-	-	-	660,786
Instructional staff services	390,802	-	210,490	-	601,292
Administration services	1,240,121	-	-	219,283	1,459,404
Operation and maintenance of plant services	751,148	-	-	-	751,148
Transportation services	291,664	-	-	8,500	300,164
	<u>3,334,521</u>	<u>-</u>	<u>210,490</u>	<u>227,783</u>	<u>3,772,794</u>
Other expenditures:					
Facilities acquisition	-	-	659,689	126,772	786,461
Long term debt:					
Principal	-	1,040,000	-	-	1,040,000
Interest and fiscal charges	-	459,975	216,538	-	676,513
AEA flowthrough	408,485	-	-	-	408,485
	<u>408,485</u>	<u>1,499,975</u>	<u>876,227</u>	<u>126,772</u>	<u>2,911,459</u>
Total expenditures	<u>10,474,592</u>	<u>1,499,975</u>	<u>1,086,717</u>	<u>706,842</u>	<u>13,768,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(256,585)</u>	<u>(809,622)</u>	<u>39,332</u>	<u>175,741</u>	<u>(851,134)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 70	\$ -	\$ -	\$ -	70
Sale of real property	-	-	-	105,935	105,935
Interfund transfers in (note 3)	-	449,662	-	-	449,662
Interfund transfers out (note 3)	-	-	(193,049)	(256,613)	(449,662)
Revenue bonds issued	-	2,942,870	5,742,130	-	8,685,000
Premium on revenue bonds issued	-	-	34,505	-	34,505
Payments to escrow agent	-	(2,942,870)	-	-	(2,942,870)
Total other financing sources (uses)	<u>70</u>	<u>449,662</u>	<u>5,583,586</u>	<u>(150,678)</u>	<u>5,882,640</u>
Net change in fund balances	(256,515)	(359,960)	5,622,918	25,063	5,031,506
Fund balances beginning of year	<u>529,070</u>	<u>460,473</u>	<u>1,586,112</u>	<u>234,780</u>	<u>2,810,435</u>
Fund balances end of year	<u>\$ 272,555</u>	<u>\$ 100,513</u>	<u>\$ 7,209,030</u>	<u>\$ 259,843</u>	<u>\$ 7,841,941</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, 2010

Net change in fund balances - total governmental funds \$ 5,031,506

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

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

Expenditures for capital assets	\$ 1,114,580	
Depreciation expense	<u>(661,947)</u>	452,633

Proceeds from the sale of capital assets are reported in governmental
funds as an increase in financial resources. However, only the gain on
sale of capital assets is reported in the Statement of Activities. (77,570)

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue in the governmental
funds and is deferred. It is, however, recorded as revenue in the
Statement of Activities. 17,731

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds but issuing debt increases long-term liabilities in the
Statement of Net Assets and does not affect the Statement of Activities. (8,685,000)

Repayments and defeasance of long-term liabilities are expenditures in the
governmental funds, but they reduce long-term liabilities in the Statement of
Net Assets. 3,825,000

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 funds when due. In the Statement of Activities,
however, interest expense is recognized as the interest accrues, regardless
of when it is due. (37,986)

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, 2010

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	\$	(211,183)	
	Net OPEB liability		<u>(6,000)</u>	\$ <u>(217,183)</u>
Change in net assets of governmental activities				\$ <u><u>309,131</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 83,239
Inventories	3,280
Capital assets, net of accumulated depreciation (note 5)	<u>145,283</u>
Total assets	<u>231,802</u>
Liabilities	
Accounts payable	1,855
Salaries and benefits payable	9,536
Interfund payable (note 4)	20,943
Deferred revenue	<u>11,331</u>
Total liabilities	<u>43,665</u>
Net Assets	
Invested in capital assets	145,283
Unrestricted	<u>42,854</u>
Total net assets	<u>\$ 188,137</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>539,127</u>
Operating expenses:	
Support services:	
Administration services	21,201
Non-instructional programs	<u>716,571</u>
	<u>737,772</u>
Operating loss	(198,645)
Non-operating revenues:	
Interest on investments	271
Capital contributions	10,289
State sources	5,337
Federal sources	<u>152,203</u>
Total non-operating revenues	<u>168,100</u>
Change in net assets	(30,545)
Net assets beginning of year	<u>218,682</u>
Net assets end of year	\$ <u><u>188,137</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 434,819
Cash received from miscellaneous operating activities	114,337
Cash payments to employees for services	(294,981)
Cash payments to suppliers for goods or services	<u>(386,762)</u>
Net cash used by operating activities	<u>(132,587)</u>
Cash flows from non-capital financing activities:	
State grants received	5,337
Federal grants received	<u>136,953</u>
Net cash provided by non-capital financing activities	<u>142,290</u>
Cash flows from investing activities:	
Interest on investments	<u>271</u>
Net increase in cash and cash equivalents	9,974
Cash and cash equivalents beginning of year	<u>73,265</u>
Cash and cash equivalents end of year	<u>\$ 83,239</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (198,645)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	18,125
Commodities used	15,250
Decrease in due from other governments	9,165
Decrease in inventories	1,968
Increase in accounts payable	571
(Decrease) in salaries and benefits payable	(828)
Increase in interfund payable	20,943
Increase in deferred revenue	<u>864</u>
Net cash used by operating activities	<u>\$ (132,587)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$15,250 of federal commodities and \$10,289 of contributed equipment.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 928	\$ 26,040
Accounts receivable	<u>-</u>	<u>320</u>
Total assets	<u>928</u>	<u>26,360</u>
Liabilities:		
Accounts payable	-	899
Other payables	<u>-</u>	<u>25,461</u>
Total liabilities	<u>-</u>	<u>26,360</u>
Net assets:		
Reserved for scholarships	<u>\$ 928</u>	<u>\$ -</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2010

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest	<u>11</u>	
Total additions		<u>1,011</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>1,000</u>
Change in net assets		11
Net assets beginning of year		<u>917</u>
Net assets end of year	\$	<u><u>928</u></u>
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

