

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA

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

JUNE 30, 2017

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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>		
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 and Business Manager	2017
Andrew Bracken	Attorney	Indefinite

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

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

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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, 2017 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, 2017, 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 15 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, 2016 (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 financial 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 15, 2017 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, contracts and grant agreements. The purpose of that report is solely 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 effectiveness of the District's 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.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
November 15, 2017

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

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$13,115,525 in fiscal 2016 to \$13,982,989 in fiscal 2017, while General Fund expenditures increased from \$12,746,168 in fiscal 2016 to \$13,584,835 in fiscal 2017. The District's General Fund balance increased from \$1,778,545 in fiscal 2016 to \$2,178,925 in fiscal 2017.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries and the related new funding from the Teacher Leadership Program.
- The District continued implementation of a long-term technology plan with the purchase and lease of computers and other technology in fiscal 2017.
- 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 2017 the solvency ratio was 13.6%.

### **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.

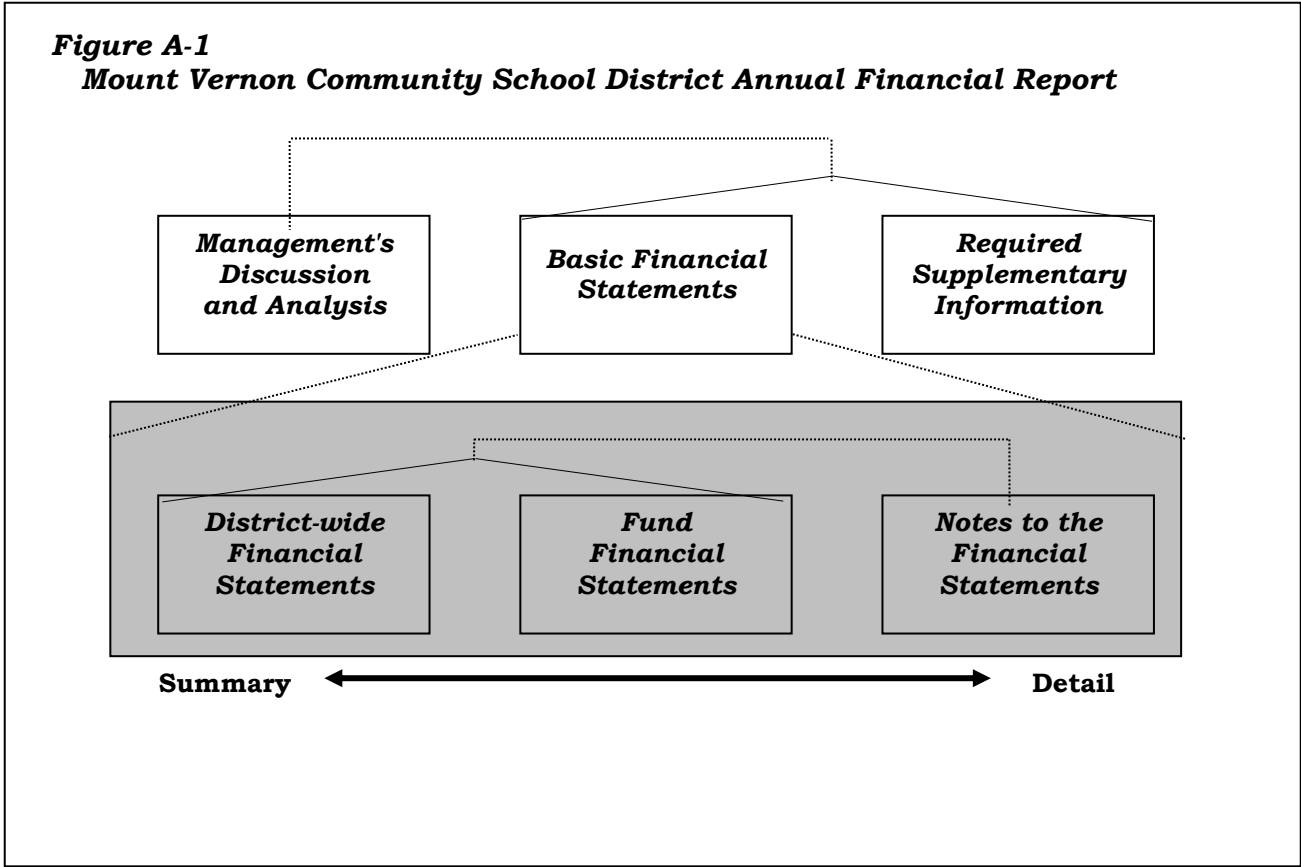




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital 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, 2017 as compared to June 30, 2016.

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,
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	\$12,345	\$11,349	\$215	\$217	\$12,560	\$11,566	\$994
Capital assets	22,264	22,776	57	66	22,321	22,842	-521
Total assets	34,609	34,125	272	283	34,881	34,408	473
Deferred outflows of resources	2,332	1,298	92	51	2,424	1,349	1,075
Long-term liabilities	18,298	17,705	311	249	18,609	17,954	655
Other liabilities	1,827	1,534	47	45	1,874	1,579	295
Total liabilities	20,125	19,239	358	294	20,483	19,533	950
Deferred inflows of resources	5,609	5,774	6	21	5,615	5,795	-180
Net position:							
Net investment in capital assets	12,004	11,621	57	66	12,061	11,687	374
Restricted	2,615	2,318	-	-	2,615	2,318	297
Unrestricted	-3,412	-3,529	-57	-47	-3,469	-3,576	107
Total net position	\$11,207	\$10,410	\$-	\$19	\$11,207	\$10,429	\$778

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 represents 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, 2017 as compared to June 30, 2016.

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	2016-2017
Revenues:							
Program revenues:							
Charges for service	\$2,775	\$2,600	\$703	\$663	\$3,478	\$3,263	6.6%
Operating grants, contributions and restricted interest	1,976	1,562	190	173	2,166	1,735	24.8%
Capital grants, contributions	40	5	10	-	50	5	900.0%
General revenues:							
Property tax	5,772	5,670	-	-	5,772	5,670	1.8%
Statewide sales & services tax	1,057	1,025	-	-	1,057	1,025	3.1%
Unrestricted state grants	5,414	5,177	-	-	5,414	5,177	4.6%
Unrestricted investment earnings	25	17	-	-	25	17	47.1%
Other	108	126	1	1	109	127	-14.2%
Total revenues	17,167	16,182	904	837	18,071	17,019	6.2%
Program expenses:							
Governmental activities:							
Instruction	10,433	9,760	-	-	10,433	9,760	6.9%
Support services	4,320	3,797	-	6	4,320	3,803	13.6%
Non-instructional programs	-	-	923	871	923	871	6.0%
Other expenses	1,617	1,573	-	-	1,617	1,573	2.8%
Total expenses	16,370	15,130	923	877	17,293	16,007	8.0%
Change in net position	\$797	\$1,052	\$-19	\$-40	\$778	\$1,012	-23.1%

Property tax and unrestricted state grants account for 65% 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 approximately \$777,560 for the current year.

### Governmental Activities

Revenues for governmental activities were \$17,166,744 and expenses were \$16,369,681.

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	
	2016	2017	2016	2017
Instruction	\$9,760	\$10,433	\$6,297	\$6,377
Support services	3,797	4,320	3,538	4,034
Non-instructional programs	-	-	-	-
Other expenses	1,573	1,617	1,129	1,168
Totals	\$15,130	\$16,370	\$10,964	\$11,579

The cost financed by users of the District’s programs was \$2,775,074.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,015,992.
- The net cost of governmental activities was financed with \$6,828,925 in property and other taxes and \$5,413,874 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$903,497 and expenses were \$923,000. 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 \$4,752,166 as compared to last year’s ending fund balances of \$4,258,546.

**Governmental Fund Highlights**

- General Fund revenues increased from \$13,115,525 in fiscal 2016 to \$13,982,989 in fiscal 2017, while General Fund expenditures increased from \$12,746,168 in fiscal 2016 to \$13,584,835 in fiscal 2017. The District’s General Fund balance increased from \$1,778,545 in fiscal 2016 to \$2,178,925 in fiscal 2017.
- 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 2017.
- 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 2017 the solvency ratio was 13.6%.

## Budgetary Highlights

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, the District had invested \$22.3 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 \$1,049,604.

The original cost of the District's capital assets was \$33.0 million, primarily in the governmental funds.

Figure A-6

### Capital Assets, net of Depreciation (Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2016-2017
	2017	2016	2017	2016	2017	2016	
Land	\$358	\$358	-	-	\$358	\$358	\$-
Buildings	20,721	21,196	-	-	20,721	21,196	-475
Improvements other than buildings	566	554	-	-	566	554	12
Furniture and equipment	619	668	57	66	676	734	-58
Totals	\$22,264	\$22,776	\$57	\$66	\$22,321	\$22,842	\$-521

### Long-Term Debt

At June 30, 2017, the District had \$18,298,489 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, 2016-2017
	2017	2016	
General obligation bonds	\$3,955	\$4,495	\$-540
Local sales tax bonds	6,305	6,660	-355
Early retirement	91	137	-46
Net pension liability	7,884	6,343	1,541
OPEB liability	63	70	-7
Totals	\$18,298	\$17,705	\$593

## **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.

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## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,452,439	\$ 199,876	\$ 5,652,315
Receivables:			
Property tax:			
Current year	36,825	-	36,825
Succeeding year	5,461,531	-	5,461,531
Income surtax	446,403	-	446,403
Accounts	3,125	9,135	12,260
Due from other governments	944,677	-	944,677
Inventories	-	5,820	5,820
Capital assets, net of accumulated depreciation (note 4)	22,264,470	57,075	22,321,545
<b>Total assets</b>	<b>34,609,470</b>	<b>271,906</b>	<b>34,881,376</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	2,331,938	92,114	2,424,052
<b>Liabilities</b>			
Accounts payable	400,951	1,520	402,471
Salaries and benefits payable	1,282,129	30,600	1,312,729
Advances from grantors	1,820	-	1,820
Unearned revenue	-	14,781	14,781
Accrued interest payable	142,065	-	142,065
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	45,579	-	45,579
Bonds payable	915,000	-	915,000
Portion due after one year:			
Early retirement	45,578	-	45,578
Bonds payable	9,345,000	-	9,345,000
Net pension liability	7,884,332	311,439	8,195,771
Net OPEB liability	63,000	-	63,000
<b>Total liabilities</b>	<b>20,125,454</b>	<b>358,340</b>	<b>20,483,794</b>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 5,461,531	\$ -	\$ 5,461,531
Pension related deferred inflows	147,648	5,833	153,481
Total deferred inflows of resources	<u>5,609,179</u>	<u>5,833</u>	<u>5,615,012</u>
Net Position			
Net investment in capital assets	12,004,470	57,075	12,061,545
Restricted for:			
Categorical funding	274,039	-	274,039
Debt service	1,287,543	-	1,287,543
Capital projects	459,395	-	459,395
Physical plant and equipment levy purposes	152,915	-	152,915
Management levy purposes	158,994	-	158,994
Student activities	168,603	-	168,603
Public education and recreation	112,569	-	112,569
Unrestricted	<u>(3,411,753)</u>	<u>(57,228)</u>	<u>(3,468,981)</u>
Total net position	<u>\$ 11,206,775</u>	<u>\$ (153)</u>	<u>\$ 11,206,622</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 10,433,068	\$ 2,775,074	\$ 1,241,101	\$ 40,087
Support services:				
Student	334,622	-	273,720	-
Instructional staff	948,798	-	9,117	-
Administration	1,679,536	-	-	-
Operation and maintenance of plant	947,320	-	-	-
Transportation	409,847	-	3,829	-
	<u>4,320,123</u>	<u>-</u>	<u>286,666</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	166,996	-	110	-
Long-term debt interest and fiscal charges	349,180	-	-	-
AEA flowthrough	448,028	-	448,028	-
Depreciation (unallocated) *	652,286	-	-	-
	<u>1,616,490</u>	<u>-</u>	<u>448,138</u>	<u>-</u>
Total governmental activities	<u>16,369,681</u>	<u>2,775,074</u>	<u>1,975,905</u>	<u>40,087</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (6,376,806)	\$ -	\$ (6,376,806)
(60,902)	-	(60,902)
(939,681)	-	(939,681)
(1,679,536)	-	(1,679,536)
(947,320)	-	(947,320)
(406,018)	-	(406,018)
(4,033,457)	-	(4,033,457)
(166,886)	-	(166,886)
(349,180)	-	(349,180)
-	-	-
(652,286)	-	(652,286)
(1,168,352)	-	(1,168,352)
(11,578,615)	-	(11,578,615)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Non-instructional programs:				
Food service operations	\$ 712,581	\$ 489,273	\$ 190,269	\$ 10,074
Daycare operations	210,419	213,650	-	-
Total business-type activities	<u>923,000</u>	<u>702,923</u>	<u>190,269</u>	<u>10,074</u>
 Total	 \$ <u>17,292,681</u>	 \$ <u>3,477,997</u>	 \$ <u>2,166,174</u>	 \$ <u>50,161</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
\$ -	\$ (22,965)	\$ (22,965)
-	3,231	3,231
-	(19,734)	(19,734)
(11,578,615)	(19,734)	(11,598,349)
\$ 4,159,338	\$ -	\$ 4,159,338
624,829	-	624,829
548,292	-	548,292
439,652	-	439,652
1,056,814	-	1,056,814
5,413,874	-	5,413,874
25,006	231	25,237
107,873	-	107,873
12,375,678	231	12,375,909
797,063	(19,503)	777,560
10,409,712	19,350	10,429,062
\$ 11,206,775	\$ (153)	\$ 11,206,622

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,878,541	\$ 1,418,621	\$ 1,155,277	\$ 5,452,439
Receivables:				
Property tax:				
Current year	26,590	3,414	6,821	36,825
Succeeding year	3,856,664	518,210	1,086,657	5,461,531
Income surtax	446,403	-	-	446,403
Accounts	460	-	2,665	3,125
Due from other governments	856,697	87,980	-	944,677
 Total assets	 <u>\$ 8,065,355</u>	 <u>\$ 2,028,225</u>	 <u>\$ 2,251,420</u>	 <u>\$ 12,345,000</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 299,414	\$ 68,796	\$ 32,741	\$ 400,951
Salaries and benefits payable	1,282,129	-	-	1,282,129
Advances from grantors	1,820	-	-	1,820
Total liabilities	<u>1,583,363</u>	<u>68,796</u>	<u>32,741</u>	<u>1,684,900</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,856,664	518,210	1,086,657	5,461,531
Other	446,403	-	-	446,403
Total deferred inflows of resources	<u>4,303,067</u>	<u>518,210</u>	<u>1,086,657</u>	<u>5,907,934</u>
Fund balances:				
Restricted for:				
Categorical funding (note 12)	274,039	-	-	274,039
Revenue bonds	-	828,909	-	828,909
Revenue bonds sinking fund	-	-	559,876	559,876
Debt service	-	-	40,823	40,823
School infrastructure	-	459,395	-	459,395
Physical plant and equipment	-	152,915	-	152,915
Management levy purposes	-	-	250,151	250,151
Student activities	-	-	168,603	168,603
Public education and recreation	-	-	112,569	112,569
Unassigned	1,904,886	-	-	1,904,886
Total fund balances	<u>2,178,925</u>	<u>1,441,219</u>	<u>1,132,022</u>	<u>4,752,166</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,065,355</u>	<u>\$ 2,028,225</u>	<u>\$ 2,251,420</u>	<u>\$ 12,345,000</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, 2017

Total fund balances of governmental funds		\$	4,752,166
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.			22,264,470
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.			446,403
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.			(142,065)
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	\$ 2,331,938	
	Deferred inflows of resources	<u>(147,648)</u>	2,184,290
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>(18,298,489)</u>
Net position of governmental activities		\$	<u><u>11,206,775</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, 2017

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,217,588	\$ 503,845	\$ 990,944	\$ 5,712,377
Tuition	2,152,160	-	-	2,152,160
Other	171,490	13,740	569,183	754,413
State sources	7,083,159	1,062,896	12,284	8,158,339
Federal sources	358,592	-	-	358,592
Total revenues	<u>13,982,989</u>	<u>1,580,481</u>	<u>1,572,411</u>	<u>17,135,881</u>
<b>Expenditures:</b>				
Current:				
Instruction	<u>9,395,784</u>	<u>104,660</u>	<u>676,348</u>	<u>10,176,792</u>
Support services:				
Student	331,462	-	-	331,462
Instructional staff	768,182	297,721	-	1,065,903
Administration	1,483,411	72,109	88,968	1,644,488
Operation and maintenance of plant	856,170	68,289	60,065	984,524
Transportation	301,798	154,914	18,330	475,042
	<u>3,741,023</u>	<u>593,033</u>	<u>167,363</u>	<u>4,501,419</u>
Other expenditures:				
Facilities acquisition	-	267,472	821	268,293
Long term debt:				
Principal	-	-	895,000	895,000
Interest and fiscal charges	-	-	354,955	354,955
AEA flowthrough	448,028	-	-	448,028
	<u>448,028</u>	<u>267,472</u>	<u>1,250,776</u>	<u>1,966,276</u>
Total expenditures	<u>13,584,835</u>	<u>965,165</u>	<u>2,094,487</u>	<u>16,644,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>398,154</u>	<u>615,316</u>	<u>(522,076)</u>	<u>491,394</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 2,226	\$ -	\$ -	\$ 2,226
Interfund transfers in (note 3)	-	-	696,379	696,379
Interfund transfers out (note 3)	-	(696,379)	-	(696,379)
Total other financing sources (uses)	<u>2,226</u>	<u>(696,379)</u>	<u>696,379</u>	<u>2,226</u>
Change in fund balances	400,380	(81,063)	174,303	493,620
Fund balances beginning of year	<u>1,778,545</u>	<u>1,522,282</u>	<u>957,719</u>	<u>4,258,546</u>
Fund balances end of year	<u>\$ 2,178,925</u>	<u>\$ 1,441,219</u>	<u>\$ 1,132,022</u>	<u>\$ 4,752,166</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, 2017

Change in fund balances - total governmental funds	\$	493,620
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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	\$	473,188	
Capital assets contributed by other entities		40,087	
Depreciation expense		<u>(1,024,919)</u>	(511,644)

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.	(11,450)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.	895,000
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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.	5,775
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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.	48,635
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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	45,579	
Pension expense	(175,452)	
Net OPEB liability	<u>7,000</u>	<u>(122,873)</u>

Change in net position of governmental activities	\$	<u>797,063</u>
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See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2017

	<u>School Nutrition</u>	<u>Nonmajor- Daycare</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 145,433	\$ 54,443	\$ 199,876
Accounts receivable	-	9,135	9,135
Inventories	5,820	-	5,820
Capital assets, net of accumulated depreciation (note 4)	57,075	-	57,075
Total assets	<u>208,328</u>	<u>63,578</u>	<u>271,906</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>60,601</u>	<u>31,513</u>	<u>92,114</u>
Liabilities			
Accounts payable	7	1,513	1,520
Salaries and benefits payable	15,644	14,956	30,600
Unearned revenue	14,781	-	14,781
Net pension liability	204,894	106,545	311,439
Total liabilities	<u>235,326</u>	<u>123,014</u>	<u>358,340</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>3,837</u>	<u>1,996</u>	<u>5,833</u>
Fund Net Position			
Net investment in capital assets	57,075	-	57,075
Unrestricted	<u>(27,309)</u>	<u>(29,919)</u>	<u>(57,228)</u>
Total fund net position	<u>\$ 29,766</u>	<u>\$ (29,919)</u>	<u>\$ (153)</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, 2017

	<u>School Nutrition</u>	<u>Nonmajor- Daycare</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 489,273	\$ 213,650	\$ 702,923
Operating expenses:			
Non-instructional programs:			
Salaries	228,628	140,995	369,623
Benefits	80,863	39,410	120,273
Purchased services	567	427	994
Supplies	377,838	29,587	407,425
Depreciation	24,685	-	24,685
Total operating expenses	<u>712,581</u>	<u>210,419</u>	<u>923,000</u>
Operating income (loss)	(223,308)	3,231	(220,077)
Non-operating revenues:			
Interest on investments	-	231	231
Capital contributions	10,074	-	10,074
State sources	4,735	-	4,735
Federal sources	185,534	-	185,534
Total non-operating revenues	<u>200,343</u>	<u>231</u>	<u>200,574</u>
Change in fund net position	(22,965)	3,462	(19,503)
Fund net position beginning of year	<u>52,731</u>	<u>(33,381)</u>	<u>19,350</u>
Fund net position end of year	<u>\$ 29,766</u>	<u>\$ (29,919)</u>	<u>\$ (153)</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	School Nutrition	Nonmajor- Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 490,459	\$ -	\$ 490,459
Cash received from miscellaneous operating activities	272	218,766	219,038
Cash paid to employees for services	(308,185)	(174,697)	(482,882)
Cash paid to suppliers for goods or services	(335,539)	(29,913)	(365,452)
Net cash provided by (used by) operating activities	<u>(152,993)</u>	<u>14,156</u>	<u>(138,837)</u>
Cash flows from non-capital financing activities:			
State grants received	4,735	-	4,735
Federal grants received	142,258	-	142,258
Net cash provided by non-capital financing activities	<u>146,993</u>	<u>-</u>	<u>146,993</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(5,745)</u>	<u>-</u>	<u>(5,745)</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>231</u>	<u>231</u>
Net increase (decrease) in cash and cash equivalents	(11,745)	14,387	2,642
Cash and cash equivalents beginning of year	<u>157,178</u>	<u>40,056</u>	<u>197,234</u>
Cash and cash equivalents end of year	<u>\$ 145,433</u>	<u>\$ 54,443</u>	<u>\$ 199,876</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2017

	<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)	\$ (223,308)	\$ 3,231	\$ (220,077)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	24,685	-	24,685
Commodities used	43,276	-	43,276
Decrease in accounts receivable	-	5,116	5,116
Increase (decrease) in accounts payable	(410)	101	(309)
Increase (decrease) in salaries and benefits payable	(877)	1,075	198
Increase in unearned revenue	1,458	-	1,458
Increase in net pension liability	38,776	24,145	62,921
(Increase) in deferred outflows of resources	(26,604)	(14,651)	(41,255)
(Decrease) in deferred inflows of resources	(9,989)	(4,861)	(14,850)
Net cash provided by (used by) operating activities	<u>\$ (152,993)</u>	<u>\$ 14,156</u>	<u>\$ (138,837)</u>

Non-cash financing activities:

During the year ended June 30, 2017, the District received \$43,276 of federal commodities and received \$10,074 of equipment contributed from other funds.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2017

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>949</u>	\$ <u>9,003</u>
Liabilities:		
Accounts payable	-	8,689
Other payables	<u>-</u>	<u>314</u>
Total liabilities	<u>-</u>	<u>9,003</u>
Fiduciary Net Position:		
Restricted for scholarships	<u>\$ 949</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, 2017

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest		<u>2</u>
Total additions		<u>1,002</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>1,000</u>
Change in fiduciary net position		2
Fiduciary net position beginning of year		<u>947</u>
Fiduciary net position end of year	\$	<u><u>949</u></u>
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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 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, 2017

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, 2017

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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2017 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 applicable 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, 2017

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, 2017.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2017 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, 2017, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>743,818</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, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>696,379</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, 2017

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Capital assets being depreciated:				
Buildings	27,240,386	68,000	8,100	27,300,286
Improvements other than buildings	1,223,653	53,991	-	1,277,644
Furniture and equipment	3,716,531	391,284	349,265	3,758,550
Total capital assets being depreciated	<u>32,180,570</u>	<u>513,275</u>	<u>357,365</u>	<u>32,336,480</u>
Less accumulated depreciation for:				
Buildings	6,044,597	543,160	8,100	6,579,657
Improvements other than buildings	669,478	41,818	-	711,296
Furniture and equipment	3,048,518	439,941	349,265	3,139,194
Total accumulated depreciation	<u>9,762,593</u>	<u>1,024,919</u>	<u>357,365</u>	<u>10,430,147</u>
Total capital assets being depreciated, net	<u>22,417,977</u>	<u>(511,644)</u>	<u>-</u>	<u>21,906,333</u>
Governmental activities capital assets, net	<u>\$ 22,776,114</u>	<u>\$ (511,644)</u>	<u>\$ -</u>	<u>\$ 22,264,470</u>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 255,406	\$ 15,819	\$ 3,521	\$ 267,704
Less accumulated depreciation	<u>189,465</u>	<u>24,685</u>	<u>3,521</u>	<u>210,629</u>
Business-type activities capital assets, net	<u>\$ 65,941</u>	<u>\$ (8,866)</u>	<u>\$ -</u>	<u>\$ 57,075</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 245,490

Support services:

Instructional staff 23,127

Administration 20,502

Operation and maintenance of plant 12,314

Transportation 71,200

372,633

Unallocated depreciation 652,286

Total depreciation expense - governmental activities \$ 1,024,919

Business-type activities:

Food service operations \$ 24,685

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
Early retirement	\$ 136,736	\$ -	\$ 45,579	\$ 91,157	\$ 45,579
General obligation bonds	4,495,000	-	540,000	3,955,000	545,000
Revenue bonds	6,660,000	-	355,000	6,305,000	370,000
Net pension liability	6,343,468	1,540,864	-	7,884,332	-
Net OPEB liability	70,000	-	7,000	63,000	-
Total	<u>\$ 17,705,204</u>	<u>\$ 1,540,864</u>	<u>\$ 947,579</u>	<u>\$ 18,298,489</u>	<u>\$ 960,579</u>
	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business-type activities:					
Net pension liability	<u>\$ 248,518</u>	<u>\$ 62,921</u>	<u>\$ -</u>	<u>\$ 311,439</u>	<u>\$ -</u>

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, 2017, the District has obligations to three participants with a total liability of \$91,157. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$45,579. 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, 2017

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2017 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated June 1, 2012			
	Interest Rates	Principal	Interest	Total
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	1.90	570,000	34,625	604,625
2023-2024	2.00-2.05	1,175,000	35,890	1,210,890
		<u>\$ 3,955,000</u>	<u>\$ 295,140</u>	<u>\$ 4,250,140</u>

Revenue Bonds

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	4.100	435,000	203,713	638,713
2023-2027	4.200-4.625	2,490,000	714,341	3,204,341
2028-2030	4.625-4.700	1,815,000	130,563	1,945,563
		<u>\$ 6,305,000</u>	<u>\$ 2,026,327</u>	<u>\$ 8,331,327</u>

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 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,331,327. For the current year, principal of \$355,000 and interest of \$278,335 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,056,814.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

- (a) \$828,909 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- (b) All proceeds from the statewide sales, 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](http://www.ipers.org).

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

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

- A multiplier based on years of service.
- 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Pension Plan (continued)

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 2017, 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, 2017 were \$885,393.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$8,195,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.130230 percent, which was a decrease of 0.003198 from its proportion measured as of June 30, 2015.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Pension Plan (continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,019,026. At June 30, 2017, 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	\$ 72,434	\$ 97,813
Changes of assumptions	125,042	-
Net difference between projected and actual earnings on pension plan investments	1,167,638	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	173,545	55,668
District contributions subsequent to the measurement date	<u>885,393</u>	<u>-</u>
Total	<u>\$ 2,424,052</u>	<u>\$ 153,481</u>

\$885,393 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, 2018. 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
2018	\$ 204,881
2019	204,881
2020	646,971
2021	339,814
2022	<u>(11,369)</u>
Total	<u>\$ 1,385,178</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

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, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24%	5.85
International Equity	16%	6.32
Private Equity/Debt	11%	10.31
Real Estate	8%	3.87
Credit Opportunities	5%	4.48
U.S. TIPS	5%	1.36
Other Real Assets	2%	6.42
Cash	1%	(0.26)
	<hr/>	
Total	<u>100%</u>	

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 to 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 7.50 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% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 13,259,649	\$ 8,195,771	\$ 3,921,792

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](http://www.ipers.org).

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 26 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 12,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost	9,000
Contributions made	<u>(16,000)</u>
Decrease in net OPEB obligation	(7,000)
Net OPEB obligation beginning of year	<u>70,000</u>
Net OPEB obligation end of year	<u><u>\$ 63,000</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, 2017.

For the year ended June 30, 2017, the District contributed \$16,000 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 19,000	15.8%	\$ 62,000
2016	9,000	11.1%	70,000
2017	9,000	177.8%	63,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$70,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,352,000, and the ratio of the UAAL to covered payroll was 5.2%. As of June 30, 2017, 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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.

Note 8. Short-Term Debt Activity

During the year ended June 30, 2017, the District entered into a short-term interfund loan from the General Fund to the Special Revenue, Management Levy Fund. The loan was necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax revenues. The loan included interest at 0.10%.

A summary of the short-term debt activity for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Management Levy Fund	\$ -	\$ 75,000	\$ 75,000	\$ -

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 9. Operating Leases

The District is obligated under four 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 or annual lease payments during the term of the leases.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 37,167
2019	30,065
2020	21,199
2021	<u>1,071</u>
	<u>\$ 89,502</u>

Total payments on operating lease agreements for the year ended June 30, 2017 were \$68,078.

Note 10. Risk Management

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

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$448,028 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2017 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction program	\$ 6,337
Successful progression for early readers	73,398
Professional development	60,456
Teacher leadership grants	<u>133,848</u>
Total	<u>\$ 274,039</u>

Note 13. Subsequent Events

In July 2017, the District entered into three capital leases totaling \$481,646 for the purchase of computers. The leases are payable through periods ranging from three to four years, with interest rates ranging from 1.50% to 7.59%.

In November 2017, the District issued \$5,816,000 of school infrastructure sales, services and use tax revenue refunding bonds. Proceeds from the issuance will be used to advance refund the March 2010 revenue bonds. The bonds are payable through the year ending June 30, 2029 with an interest rate of 2.13%.

Note 14. New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of the tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

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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, 2017

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 8,618,950	\$ 713,228	\$ 9,332,178	\$ 9,296,322	\$ 35,856
State sources	8,158,339	4,735	8,163,074	8,333,281	(170,207)
Federal sources	358,592	185,534	544,126	637,615	(93,489)
<b>Total revenues</b>	<b>17,135,881</b>	<b>903,497</b>	<b>18,039,378</b>	<b>18,267,218</b>	<b>(227,840)</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	10,176,792	-	10,176,792	10,907,888	731,096
Support services	4,501,419	-	4,501,419	4,934,212	432,793
Non-instructional programs	-	923,000	923,000	1,174,165	251,165
Other expenditures	1,966,276	-	1,966,276	2,696,447	730,171
<b>Total expenditures/expenses</b>	<b>16,644,487</b>	<b>923,000</b>	<b>17,567,487</b>	<b>19,712,712</b>	<b>2,145,225</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	491,394	(19,503)	471,891	(1,445,494)	1,917,385
Other financing sources, net	2,226	-	2,226	2,189	37
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	493,620	(19,503)	474,117	(1,443,305)	1,917,422
Balance beginning of year	4,258,546	19,350	4,277,896	2,966,048	1,311,848
Balance end of year	\$ 4,752,166	\$ (153)	\$ 4,752,013	\$ 1,522,743	\$ 3,229,270

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2017

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, 2017, 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 Three Years\*  
(In Thousands)

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.130230%	0.133428%	0.131564%
District's proportionate share of the net pension liability	\$ 8,196	\$ 6,592	\$ 5,218
District's covered-employee payroll	\$ 9,346	\$ 9,141	\$ 8,609
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	81.82%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 885	\$ 835	\$ 821	\$ 769
Contributions in relation to the statutorily required contribution	<u>(885)</u>	<u>(835)</u>	<u>(821)</u>	<u>(769)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,915	\$ 9,346	\$ 9,141	\$ 8,609
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 711	\$ 625	\$ 506	\$ 484	\$ 454	\$ 400
<u>(711)</u>	<u>(625)</u>	<u>(506)</u>	<u>(484)</u>	<u>(454)</u>	<u>(400)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,205	\$ 7,748	\$ 7,277	\$ 7,278	\$ 7,142	\$ 6,611
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY  
Year Ended June 30, 2017

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.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2017

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%
2017	July 1, 2015	-	70	70	0.0%	1,352	5.2%

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, 2017

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	
Assets					
Cash and pooled investments	\$ 248,273	\$ 198,187	\$ 112,302	\$ 596,515	\$ 1,155,277
Receivables:					
Property tax:					
Current year	2,370	-	267	4,184	6,821
Succeeding year	431,382	-	39,555	615,720	1,086,657
Accounts	-	2,665	-	-	2,665
<b>Total assets</b>	<b>\$ 682,025</b>	<b>\$ 200,852</b>	<b>\$ 152,124</b>	<b>\$ 1,216,419</b>	<b>\$ 2,251,420</b>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 492	\$ 32,249	\$ -	\$ -	\$ 32,741
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	431,382	-	39,555	615,720	1,086,657
Fund balances:					
Restricted for:					
Revenue bonds sinking fund	-	-	-	559,876	559,876
Debt service	-	-	-	40,823	40,823
Management levy purposes	250,151	-	-	-	250,151
Student activities	-	168,603	-	-	168,603
Public education and recreation	-	-	112,569	-	112,569
<b>Total fund balances</b>	<b>250,151</b>	<b>168,603</b>	<b>112,569</b>	<b>600,699</b>	<b>1,132,022</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 682,025</b>	<b>\$ 200,852</b>	<b>\$ 152,124</b>	<b>\$ 1,216,419</b>	<b>\$ 2,251,420</b>

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, 2017

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 335,695	\$ -	\$ 37,873	\$ 617,376	\$ 990,944
Other	27,675	539,944	386	1,178	569,183
State sources	4,339	-	492	7,453	12,284
Total revenues	<u>367,709</u>	<u>539,944</u>	<u>38,751</u>	<u>626,007</u>	<u>1,572,411</u>
Expenditures:					
Current:					
Instruction	149,450	526,898	-	-	676,348
Support services:					
Administration	88,968	-	-	-	88,968
Operation and maintenance of plant	60,065	-	-	-	60,065
Transportation	18,330	-	-	-	18,330
Other expenditures:					
Facilities acquisition	-	-	821	-	821
Long term debt:					
Principal	-	-	-	895,000	895,000
Interest and fiscal charges	-	-	-	354,955	354,955
Total expenditures	<u>316,813</u>	<u>526,898</u>	<u>821</u>	<u>1,249,955</u>	<u>2,094,487</u>
Excess (deficiency) of revenues over (under) expenditures	50,896	13,046	37,930	(623,948)	(522,076)
Other financing sources:					
Interfund transfers in	-	-	-	696,379	696,379
Change in fund balances	50,896	13,046	37,930	72,431	174,303
Fund balances beginning of year	<u>199,255</u>	<u>155,557</u>	<u>74,639</u>	<u>528,268</u>	<u>957,719</u>
Fund balances end of year	<u>\$ 250,151</u>	<u>\$ 168,603</u>	<u>\$ 112,569</u>	<u>\$ 600,699</u>	<u>\$ 1,132,022</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND ACCOUNTS

June 30, 2017

Assets	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 1,227,982	\$ 190,639	\$ 1,418,621
Receivables:			
Property tax:			
Current year	-	3,414	3,414
Succeeding year	-	518,210	518,210
Due from other governments	<u>87,980</u>	<u>-</u>	<u>87,980</u>
 Total assets	 <u>\$ 1,315,962</u>	 <u>\$ 712,263</u>	 <u>\$ 2,028,225</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ 27,658</u>	<u>\$ 41,138</u>	<u>\$ 68,796</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>518,210</u>	<u>518,210</u>
Fund balances:			
Restricted for:			
Revenue bonds	828,909	-	828,909
School infrastructure	459,395	-	459,395
Physical plant and equipment	-	152,915	152,915
Total fund balances	<u>1,288,304</u>	<u>152,915</u>	<u>1,441,219</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 1,315,962</u>	 <u>\$ 712,263</u>	 <u>\$ 2,028,225</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 Year Ended June 30, 2017

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 503,845	\$ 503,845
Other	12,884	856	13,740
State sources	1,056,814	6,082	1,062,896
Total revenues	1,069,698	510,783	1,580,481
Expenditures:			
Current:			
Instruction	91,560	13,100	104,660
Support services:			
Instructional staff	281,971	15,750	297,721
Administration	-	72,109	72,109
Operation and maintenance of plant	-	68,289	68,289
Transportation	-	154,914	154,914
Other expenditures:			
Facilities acquisition	-	267,472	267,472
Total expenditures	373,531	591,634	965,165
Excess (deficiency) of revenues over (under) expenditures	696,167	(80,851)	615,316
Other financing uses:			
Interfund transfers out	(696,379)	-	(696,379)
Change in fund balances	(212)	(80,851)	(81,063)
Fund balances beginning of year	1,288,516	233,766	1,522,282
Fund balances end of year	\$ 1,288,304	\$ 152,915	\$ 1,441,219

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, 2017

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Drama & Speech	\$ -	\$ 3,706	\$ 3,706	\$ -
Musical	7,129	8,263	9,633	5,759
Vocal	1,058	3,865	3,665	1,258
Jazz Choir	1,542	3,410	3,764	1,188
Band	154	11,431	11,585	-
Fine Arts	588	16,541	15,292	1,837
Jazz Band	1,389	1,756	3,145	-
Cross Country Co-Ed	-	2,943	2,943	-
Tennis	-	619	619	-
Boys Basketball	-	13,711	13,184	527
Boys Football	-	30,605	30,605	-
Boys Soccer	-	3,245	3,245	-
Boys Baseball	-	6,104	6,104	-
Boys Track	-	5,672	5,672	-
Boys Golf	-	2,118	2,118	-
Miscellaneous Athletics	-	25,453	25,453	-
Boys Wrestling	-	7,769	7,769	-
Girls Basketball	-	10,609	9,471	1,138
Girls Volleyball	-	13,746	13,746	-
Girls Soccer	-	3,445	3,445	-
Girls Softball	-	12,968	12,968	-
Girls Track	-	5,260	5,260	-
Girls Golf	-	116	116	-
Fundraising Football	12,126	48,571	53,787	6,910
Fundraising Boys Soccer	851	5,339	1,907	4,283
Fundraising Girls Soccer	148	324	324	148
Boys Basketball Fundraising	1,692	4,724	4,615	1,801
Girls Track and Field Fundraising	2,340	7,134	6,362	3,112
Volleyball Fundraising	2,259	19,974	14,679	7,554
Fundraising Cross Country	1,288	3,641	3,519	1,410
Fundraising Boys Track	124	85	184	25
Fundraising Softball	3,211	14,341	15,005	2,547
Girls Basketball Fundraising	2,773	2,463	2,904	2,332
Baseball Fundraising	143	1,267	1,052	358
Activities Group Resale	30	2,011	1,992	49
Post Prom	2,500	-	500	2,000
J-Term Clubs	613	2,089	2,039	663
Band Trip Chicago	1,766	1,522	3,288	-
Mustang Motors Club	531	1,808	1,237	1,102



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2017

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Art Club	1,032	2,964	1,597	2,399
Student Activities Group	\$ 1,298	\$ 1,225	\$ 1,149	\$ 1,374
Strings	-	122	122	-
Music Uniform/Robe Cleaning	2,180	2,417	602	3,995
Academic Decathlon	100	-	100	-
Student Council	225	2,012	2,237	-
Chess Club	85	-	-	85
Yearbook	7,195	22,839	23,417	6,617
Class of 2017	1,598	1,750	3,329	19
Class of 2018	550	2,009	1,550	1,009
Class of 2019	-	1,000	1,000	-
Class of 2022	119	-	119	-
Class of 2024	515	-	515	-
Cheerleading	3,970	6,379	9,099	1,250
Dance Group	-	94	94	-
Science Olympiad	1,686	9,494	7,994	3,186
Audio Design	-	14	14	-
Robotics	6,630	13,578	13,129	7,079
Garden Club	212	-	-	212
Archery Club	-	572	429	143
Thespian Society Club	-	1,480	887	593
Speed and Agility Club	2,630	59,993	53,845	8,778
International Students Club	99	-	72	27
Key Club	1,081	409	1,487	3
Entrepreneur Club	685	6,951	5,066	2,570
German Trip	136	-	-	136
Spanish Club	1,720	8,793	8,938	1,575
Library Club	2,201	1,615	477	3,339
Mustang Munchies	109	448	229	328
Band Trip	238	50	288	-
Fall Play	583	4,359	4,778	164
Special Activities Group Fees	676	742	169	1,249
Middle School:				
Band	-	106	106	-
Cross Country	-	2,253	2,253	-
Boys Basketball	577	2,774	2,600	751
Boys Football	239	3,105	3,344	-
Boys Track	61	1,214	1,019	256

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2017

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
Boys Wrestling	\$ 201	\$ 1,344	\$ 924	\$ 621
Girls Basketball	-	2,586	2,586	-
Girls Volleyball	782	1,345	1,516	611
Girls Softball	-	196	196	-
Girls Track	358	512	281	589
Activities Group Resale	363	566	566	363
Student Activities Group	9,648	979	1,685	8,942
8th Grade Musical	85	-	85	-
Strings	1,082	1,451	1,359	1,174
Student Council	730	1,570	1,127	1,173
Yearbook	7,131	4,410	3,719	7,822
Science Olympiad	2,270	5,816	6,391	1,695
Construction	3,493	3,614	3,823	3,284
Book Club	-	16	16	-
Pride	-	8,213	8,213	-
7th Grade Service Club	2,197	2,624	3,404	1,417
Band Instruments	861	2,233	2,106	988
Robotics	-	1,150	866	284
Special Activities Group Fees	583	1,810	-	2,393
Trips	4,483	-	-	4,483
Birthday Books	1,193	2,873	2,585	1,481
Art Club	-	763	708	55
Projects Club	-	250	31	219
Elementary:				
Student Activities Group	32,687	11,172	13,849	30,010
Strings	270	-	-	270
We Tap	295	8,551	8,846	-
Birthday Books	4,160	6,491	3,060	7,591
Total	<u>\$ 155,557</u>	<u>\$ 539,944</u>	<u>\$ 526,898</u>	<u>\$ 168,603</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2017

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 5,324	\$ 322,902	\$ 319,223	\$ 9,003
Liabilities				
Accounts payable	\$ 5,025	\$ 8,689	\$ 5,025	\$ 8,689
Other payables	299	314,213	314,198	314
Total liabilities	\$ 5,324	\$ 322,902	\$ 319,223	\$ 9,003

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,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,712,377	\$ 5,580,702	\$ 5,386,010	\$ 4,863,614
Tuition	2,152,160	1,977,506	1,835,254	1,857,442
Other	754,413	763,714	624,863	606,213
State sources	8,158,339	7,515,427	7,600,438	7,240,355
Federal sources	358,592	327,304	371,365	352,625
<b>Total revenues</b>	<b><u>\$ 17,135,881</u></b>	<b><u>\$ 16,164,653</u></b>	<b><u>\$ 15,817,930</u></b>	<b><u>\$ 14,920,249</u></b>
<b>Expenditures:</b>				
Instruction	\$ 10,176,792	\$ 9,612,799	\$ 9,578,809	\$ 9,076,080
Support services:				
Student	331,462	306,361	287,779	281,603
Instructional staff	1,065,903	598,505	592,021	797,204
Administration	1,644,488	1,564,443	1,518,545	1,636,223
Operation and maintenance of plant	984,524	888,656	937,466	878,827
Transportation	475,042	444,242	372,323	388,489
Other expenditures:				
Facilities acquisition	268,293	202,123	509,495	202,226
Long-term debt:				
Principal	895,000	945,000	925,000	6,110,000
Interest and fiscal charges	354,955	373,495	391,452	727,433
AEA flowthrough	448,028	444,119	443,381	411,234
<b>Total expenditures</b>	<b><u>\$ 16,644,487</u></b>	<b><u>\$ 15,379,743</u></b>	<b><u>\$ 15,556,271</u></b>	<b><u>\$ 20,509,319</u></b>

See accompanying independent auditor's report.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	5,549,678	\$ 5,710,704	\$ 5,409,382	\$ 4,917,569	\$ 4,596,588	\$ 4,585,983
	1,877,946	1,807,800	1,690,633	1,441,273	1,470,733	1,400,687
	600,246	631,686	625,355	503,031	575,068	595,915
	5,987,646	5,979,937	5,789,536	4,934,704	5,701,845	5,292,122
	286,114	242,345	631,863	1,120,415	562,174	432,670
\$	<u>14,301,630</u>	<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>
\$	8,739,732	\$ 8,037,426	\$ 7,203,900	\$ 7,083,873	\$ 7,057,764	\$ 6,433,667
	272,442	298,961	405,284	660,786	502,479	407,570
	957,381	619,775	629,914	601,292	493,556	434,847
	1,602,997	1,299,461	1,381,318	1,459,404	1,353,748	1,138,812
	763,626	903,180	719,689	751,148	925,912	892,467
	394,289	338,856	394,642	300,164	404,933	402,906
	644,677	4,293,760	1,738,194	786,461	1,802,268	1,238,509
	995,000	960,000	675,000	1,040,000	630,000	600,000
	689,357	702,670	593,910	676,513	447,423	449,826
	393,008	389,218	423,338	408,485	372,851	346,567
\$	<u>15,452,509</u>	<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>

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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, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2017.

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 have not been 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-17, 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, 2017 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 15, 2017

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-17 Credit Card Support

Criteria – Management is responsible for establishing and maintaining internal controls over the use of credit cards by employees in order to safeguard assets from error or misappropriation.

Condition – Of \$34,308 of credit card purchases tested, \$1,081 of the purchases were not supported by an original invoice or receipt.

Cause – The District has established a written policy allowing employee use of school credit cards for work-related purchases and expenses. This policy requires detailed invoices or receipts to be submitted for such purchases and employees are required to reimburse the District for any unsupported credit card charges. However, with the volume of transactions that are processed via credit card, this policy is not always enforced.

Effect – Lack of supporting invoices or receipts for all credit card purchases could result in improper transactions being charged to the District.

Recommendation – The District should enforce its policy requiring employees to turn in invoices or receipts for all credit card purchases.

Response – We will enforce our credit card policy to ensure employees turn in an invoice or receipt for all credit card purchases.

Conclusion – Response accepted.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

Part II: Other Findings Related to Statutory Reporting:

- II-A-17 Certified Budget – Expenditures/expenses for the year ended June 30, 2017, did not exceed the amounts budgeted.
- II-B-17 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-17 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-17 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 Owner of Mount Vernon Construction	Rent for classroom/transition center Playground repairs	\$12,000 (a) \$2,100 (b)
John Rhomberg, Board Member Officer of One Mission Fundraising	Track t-shirts	\$105 (b)
Matt Haddy, Coach Agent for Madison All4You Kollege Town	Athletic apparel	\$16,193 (c)

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.

In accordance with Chapter 68B.2A of the Code of Iowa, the transaction designated with a (c) does not appear to be a conflict of interest since the employee did not have any role in the purchasing processing.

- II-E-17 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-17 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

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

II-G-17 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-17 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for October 2016 was overstated by 0.067 due to two courses that were claimed for concurrent enrollment but had already been included in career and technical education.

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-17 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-17 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-17 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

II-L-17 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2017

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

II-L-17 Statewide Sales, Services and Use Tax (continued):

Beginning balance		\$	1,288,516
Revenues:			
Interest	\$	12,884	
Statewide sales, services and use tax		<u>1,056,814</u>	1,069,698
Expenditures/transfers out:			
Equipment		373,531	
Transfers to other funds:			
Debt Service Fund		<u>696,379</u>	<u>1,069,910</u>
Ending balance		\$	<u><u>1,288,304</u></u>

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-17 Financial Condition – At June 30, 2017, the governmental activities, business-type activities, and the Enterprise, School Nutrition Fund and the Daycare Fund had deficit unrestricted net positions of \$3,411,753, \$57,228, \$27,309 and \$29,919, respectively. In addition, business-type activities had a deficit total net position of \$153. 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 strain 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.