

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA

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

JUNE 30, 2013

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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2012)		
Thomas Wieseler	President	2013
Darrin Gage	Vice President	2015
John Cochrane	Board Member	2013
Paul Morf	Board Member	2013
Shannon Amundson	Board Member	2015
Virginia Roudabush	Board Member	2015
Mark Weldon	Board Member	2015
(After September 2012)		
Darrin Gage	President	2015
Mark Weldon	Vice President	2015
John Cochrane	Board Member	2013
Thomas Wieseler	Board Member	2013
Paul Morf	Board Member	2013
Shannon Amundson	Board Member	2015
Virginia Roudabush	Board Member	2015
<u>School Officials</u>		
Pam Ewell	Superintendent	2013
Matt Burke	District Secretary/Treasurer	2013
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, 2013 and the related notes to the 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013, 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 Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 56 through 58 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 eight years ended June 30, 2012 (which are not presented herein). For the seven years ended June 30, 2012, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2013 on our consideration of Mount Vernon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mount Vernon Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
November 8, 2013

*Hunt & Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,550,473 in fiscal 2012 to \$11,602,785 in fiscal 2013, while General Fund expenditures increased from \$11,080,680 in fiscal 2012 to \$12,023,635 in fiscal 2013. The District's General Fund balance decreased from \$1,956,831 in fiscal 2012 to \$1,543,001 in fiscal 2013.
- The General Fund revenues remained relatively the same as the prior year due primarily to only a small increase in State of Iowa funding for fiscal 2013.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries as well \$330,494 in additional technology expenditures.
- In June of 2013 the District began implementation of a long term technology plan with the purchase of \$330,494 of computers and other technology. The General Fund will be the primary source of funding for the expenditures in this plan.
- As part of the long term technology plan the district has committed \$601,054 of reserves for on-going technology expenditures.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Mount Vernon Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

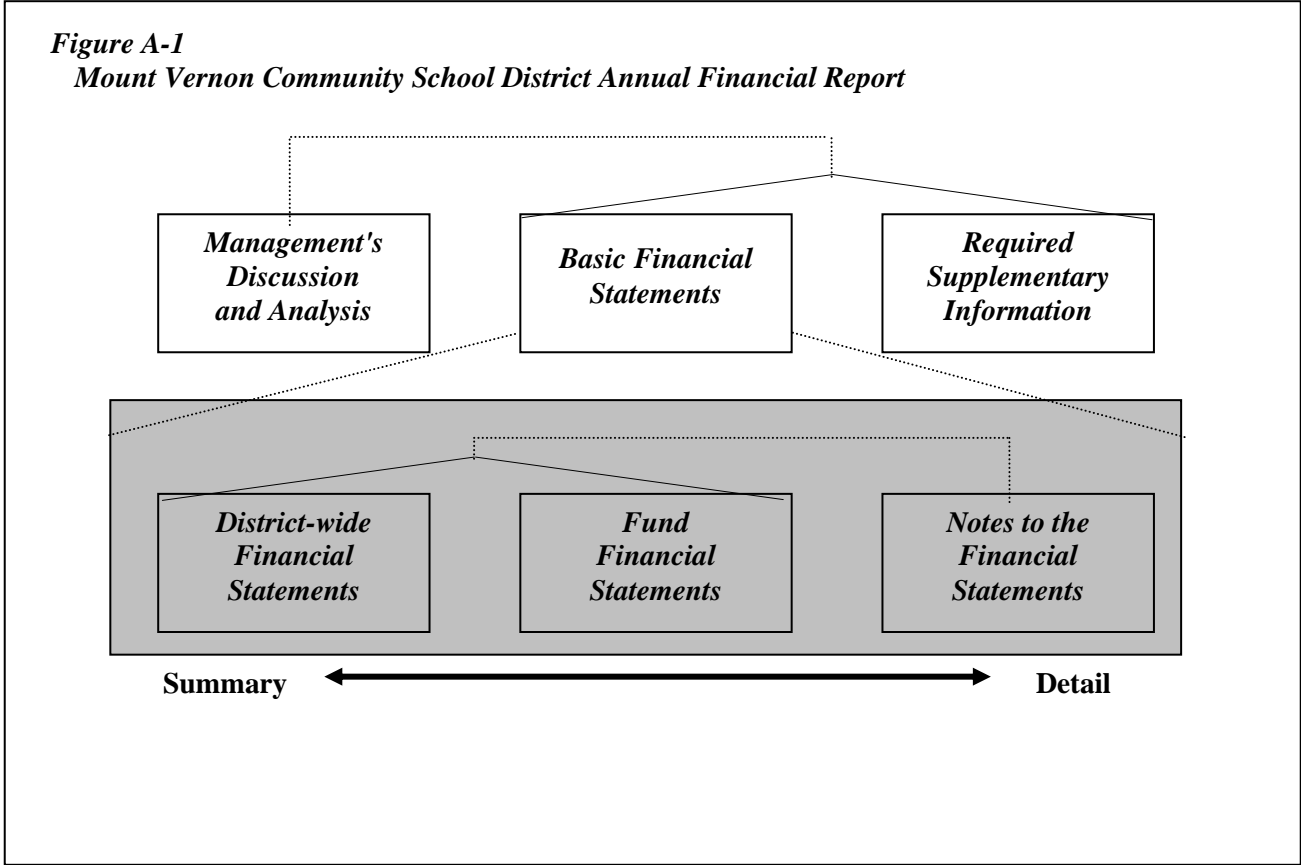




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### ***Fund Financial Statements***

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013 as compared to June 30, 2012.

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,	
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$15,175	\$15,829	\$211	\$143	\$15,386	\$15,972	\$-586
Capital assets	24,155	23,691	109	128	24,264	23,819	445
Total assets	39,330	39,520	320	271	39,650	39,791	-141
Long-term liabilities	19,254	20,352	-	-	19,254	20,352	-1,098
Other liabilities	6,186	5,718	29	29	6,215	5,747	468
Total liabilities	25,440	26,070	29	29	25,469	26,099	-630
Net position:							
Net investment in capital assets	10,320	9,061	109	128	10,429	9,189	1,240
Restricted	1,679	2,180	-	-	1,679	2,180	-501
Unrestricted	1,891	2,209	182	114	2,073	2,323	-250
Total net position	\$13,890	\$13,450	\$291	\$242	\$14,181	\$13,692	\$489

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

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

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

Figure A-4 shows the change in net position for the year ended June 30, 2013 as compared to June 30, 2012.

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

	<u>Governmental</u>		<u>Business type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	June 30,		June 30,		June 30,		June 30,
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues:							
Program revenues:							
Charges for service	\$2,325	\$2,342	\$687	\$706	\$3,012	\$3,048	-1.2%
Operating grants, contributions and restricted interest	1,445	1,367	190	168	1,635	1,535	6.5%
Capital grants, contributions	17	-	-	-	17	-	100%
General revenues:							
Property tax	4,273	4,350	-	-	4,273	4,350	-1.8%
Statewide sales & services tax	887	1,047	-	-	887	1,047	-15.3%
Unrestricted state grants	4,871	4,881	-	-	4,871	4,881	-.2%
Unrestricted investment earnings	24	19	-	-	24	19	26.3%
Other	497	457	1	-	498	457	8.8%
Total revenues	14,339	14,463	878	874	15,217	15,337	-.8%
Program expenses:							
Governmental activities:							
Instruction	8,468	7,976	-	-	8,468	7,976	6.2%
Support services	3,651	3,369	5	4	3,656	3,373	8.4%
Non-instructional programs	-	-	823	827	823	827	-.5%
Other expenses	1,780	1,519	-	-	1,780	1,519	17.2%
Total expenses	13,899	12,864	828	831	14,727	13,695	7.5%
Change in net position	\$440	\$1,599	\$50	\$42	\$490	\$1,641	-70.2%

Property tax and unrestricted state grants account for 64% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total governmental activities expenses.

The statewide sales and services tax decreased by 15.3% percent as the five year special Linn County school districts legislation ended and the district became part of the statewide sales and services tax for schools.

Overall net position increased approximately \$489,344 for the current year.

## Governmental Activities

Revenues for governmental activities were \$14,338,949 and expenses were \$13,899,092.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

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

	Total Cost of Services		Net Cost of Services	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Instruction	\$7,976	\$8,468	\$4,870	\$5,348
Support services	3,369	3,651	3,171	3,423
Non-instructional programs	-	-	-	-
Other expenses	1,519	1,780	1,113	1,341
Totals	\$12,864	\$13,899	\$9,154	\$10,112

The cost financed by users of the District's programs was \$2,325,191.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,461,932.
- The net cost of governmental activities was financed with \$5,569,262 in property and other taxes and \$4,870,503 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$878,168 and expenses were \$828,681. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2013, the School Board approved an increase in meal prices for the 2012-2013 fiscal year to offset increasing food costs in the Nutrition Program.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,794,182 as compared to last year's ending fund balances of \$9,938,041.

## **Governmental Fund Highlights**

- General Fund revenues increased from \$11,550,473 in fiscal 2012 to \$11,602,785 in fiscal 2013, while General Fund expenditures increased from \$11,080,680 in fiscal 2012 to \$12,023,635 in fiscal 2013. The District's General Fund balance decreased from \$1,956,831 in fiscal 2012 to \$1,543,001 in fiscal 2013.
- The General Fund revenues remained relatively the same as the prior year due primarily to only a small increase in State of Iowa funding for fiscal 2013.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries as well \$330,494 in technology expenditures.
- In June of 2013 the District began implementation of a long term technology plan with the purchase of \$330,494 of computers and other technology. The General Fund will be the primary source of funding for the expenditures in this plan.
- As part of the long term technology plan the district has committed \$601,054 of reserves for on-going technology expenditures.

## BUDGETARY HIGHLIGHTS

The functional budget areas of the annual budget were exceeded at year end in the areas of instruction and support services due to a single purchase of student computers. In June of 2013 the district purchased \$330,494 of student computers and related technology. These computers were originally budgeted in the 2013-2014 school year but in June of 2013 their purchase date was changed to June of 2013 for the benefit of implementing this technology more timely for the use of students. The decision to purchase these computers in the 2012-2013 school year rather than the 2013-2014 school year was made in June of 2013 after the May 31 legal deadline to amend the 2012-2013 budget for these increased expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$24.3 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 5 to the financial statements. Depreciation expense for the year was \$911,553.

The original cost of the District's capital assets was \$31.6 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, 2012-2013
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Land	\$358	\$358	-	-	\$358	\$358	\$-
Construction in progress	-	5,367	-	-	-	5,367	-5,367
Buildings	22,621	17,293	-	-	22,621	17,293	5,328
Improvements other than buildings	230	248	-	-	230	248	-18
Furniture and equipment	947	425	109	128	1,056	553	503
Totals	\$24,156	\$23,691	\$109	\$128	\$24,265	\$23,819	\$446

### Long-Term Debt

At June 30, 2013, the District had \$19,254,080 in revenue bonds, general obligation debt, capital loan notes, and other long term liabilities outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30, <u>2013</u>	2012	<u>2012-2013</u>
General obligation bonds	\$11,350	\$11,755	\$-405
Local sales tax bonds	7,650	8,175	-525
Energy Loan Notes	200	260	-60
Early retirement	24	148	-124
OPEB liability	30	14	16
Totals	\$19,254	\$20,352	\$-1,098

### **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 set the allowable growth percentage for State of Iowa student funding for the 2013-2014 school year at 2% and 4% in 2014-2015. In future years the allowable growth percentage will be called the supplemental state aid percentage.
- The federal “sequestration” law has scheduled federal funding reductions of approximately 8% per year in future years.
- School district voters passed a Public Education and Recreation Levy (PERL) and this property tax levy will provide approximately \$34,000 annually for playgrounds and recreational areas within the school district beginning in the 2014-2015 school year.

### **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matt Burke, School District Secretary/Treasurer, Mount Vernon Community School District, 525 Palisades Road SW, Mount Vernon, Iowa, 52314.



## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,306,464	\$ 197,309	\$ 4,503,773
Cash with fiscal agent	5,433,696	-	5,433,696
Receivables:			
Property tax:			
Current year	24,433	-	24,433
Succeeding year	4,407,135	-	4,407,135
Income surtax	378,679	-	378,679
Accounts	543	13,204	13,747
Due from other governments	621,496	-	621,496
Interfund balances (note 4)	2,000	(2,000)	-
Inventories	-	2,273	2,273
Capital assets, net of accumulated depreciation (note 5)	24,155,475	109,301	24,264,776
<b>Total assets</b>	<b>39,329,921</b>	<b>320,087</b>	<b>39,650,008</b>
<b>Liabilities</b>			
Accounts payable	666,394	1,641	668,035
Salaries and benefits payable	927,943	15,120	943,063
Deposits payable	113	-	113
Accrued interest payable	184,286	-	184,286
Deferred revenue:			
Succeeding year property tax	4,407,135	-	4,407,135
Other	-	11,924	11,924
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	19,048	-	19,048
Bonds payable	745,000	-	745,000
Notes payable	65,000	-	65,000
Portion due after one year:			
Early retirement	5,032	-	5,032
Bonds payable	18,255,000	-	18,255,000
Notes payable	135,000	-	135,000
Net OPEB liability	30,000	-	30,000
<b>Total liabilities</b>	<b>25,439,951</b>	<b>28,685</b>	<b>25,468,636</b>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 10,320,475	\$ 109,301	\$ 10,429,776
Restricted for:			
Categorical funding	194	-	194
Management levy purposes	25,556	-	25,556
Student activities	100,565	-	100,565
Debt service	1,204,530	-	1,204,530
Physical plant and equipment levy purposes	235,085	-	235,085
Capital projects	112,079	-	112,079
Unrestricted	<u>1,891,486</u>	<u>182,101</u>	<u>2,073,587</u>
Total net position	<u>\$ 13,889,970</u>	<u>\$ 291,402</u>	<u>\$ 14,181,372</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 8,468,452	\$ 2,323,734	\$ 779,552	\$ 16,690
Support services:				
Student	276,922	-	207,368	-
Instructional staff	706,768	-	17,614	-
Administration	1,533,496	-	-	-
Operation and maintenance of plant	763,891	575	-	-
Transportation	369,995	882	1,790	-
	<u>3,651,072</u>	<u>1,457</u>	<u>226,772</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	123,899	-	45,910	-
Long-term debt interest and fiscal charges	687,400	-	-	-
AEA flowthrough	393,008	-	393,008	-
Depreciation (unallocated) *	575,261	-	-	-
	<u>1,779,568</u>	<u>-</u>	<u>438,918</u>	<u>-</u>
Total governmental activities	<u>13,899,092</u>	<u>2,325,191</u>	<u>1,445,242</u>	<u>16,690</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,348,476)	\$ -	\$ (5,348,476)
(69,554)	-	(69,554)
(689,154)	-	(689,154)
(1,533,496)	-	(1,533,496)
(763,316)	-	(763,316)
(367,323)	-	(367,323)
(3,422,843)	-	(3,422,843)
(77,989)	-	(77,989)
(687,400)	-	(687,400)
-	-	-
(575,261)	-	(575,261)
(1,340,650)	-	(1,340,650)
(10,111,969)	-	(10,111,969)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Business-Type Activities:</b>				
Support services:				
Administration services	\$ 3,561	\$ -	\$ -	-
Operation and maintenance of plant services	1,795	-	-	-
	<u>5,356</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	584,682	459,189	189,884	-
Daycare operations	238,643	227,989	-	-
	<u>823,325</u>	<u>687,178</u>	<u>189,884</u>	<u>-</u>
 Total business-type activities	 <u>828,681</u>	 <u>687,178</u>	 <u>189,884</u>	 <u>-</u>
 Total	 <u>\$ 14,727,773</u>	 <u>\$ 3,012,369</u>	 <u>\$ 1,635,126</u>	 <u>\$ 16,690</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
\$ -	\$ (3,561)	\$ (3,561)
-	(1,795)	(1,795)
-	(5,356)	(5,356)
-	64,391	64,391
-	(10,654)	(10,654)
-	53,737	53,737
-	48,381	48,381
(10,111,969)	48,381	(10,063,588)

\$ 3,157,478	\$ -	\$ 3,157,478
686,545	-	686,545
429,149	-	429,149
408,784	-	408,784
887,306	-	887,306
4,870,503	-	4,870,503
24,330	1,106	25,436
87,731	-	87,731
10,551,826	1,106	10,552,932
439,857	49,487	489,344
13,450,113	241,915	13,692,028
<u>\$ 13,889,970</u>	<u>\$ 291,402</u>	<u>\$ 14,181,372</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,548,004	\$ 487,403	\$ 1,112,039	\$ 159,018	\$ 4,306,464
Cash with fiscal agent	-	5,433,696	-	-	5,433,696
Receivables:					
Property tax:					
Current year	16,863	3,808	2,381	1,381	24,433
Succeeding year	2,875,694	687,400	450,991	393,050	4,407,135
Income surtax	378,679	-	-	-	378,679
Interfund receivable (note 4)	2,090	-	-	-	2,090
Accounts	543	-	-	-	543
Due from other governments	473,325	-	148,171	-	621,496
Total assets	<u>\$ 6,295,198</u>	<u>\$ 6,612,307</u>	<u>\$ 1,713,582</u>	<u>\$ 553,449</u>	<u>\$ 15,174,536</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 569,768	\$ -	\$ 86,518	\$ 10,108	\$ 666,394
Salaries and benefits payable	927,943	-	-	-	927,943
Interfund payable (note 4)	-	-	-	90	90
Deposits payable	113	-	-	-	113
<b>Deferred revenue:</b>					
Succeeding year property tax	2,875,694	687,400	450,991	393,050	4,407,135
Other	378,679	-	-	-	378,679
<b>Total liabilities</b>	<b>4,752,197</b>	<b>687,400</b>	<b>537,509</b>	<b>403,248</b>	<b>6,380,354</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Categorical funding (note 13)	194	-	-	-	194
Revenue bonds	-	-	828,909	-	828,909
Revenue bonds sinking fund	-	475,081	-	-	475,081
Crossover refunding escrow	-	5,433,696	-	-	5,433,696
Debt service	-	16,130	-	-	16,130
Management levy purposes	-	-	-	49,636	49,636
Student activities	-	-	-	100,565	100,565
School infrastructure	-	-	112,079	-	112,079
Physical plant and equipment	-	-	235,085	-	235,085
Committed for technology	601,054	-	-	-	601,054
Unassigned	941,753	-	-	-	941,753
<b>Total fund balances</b>	<b>1,543,001</b>	<b>5,924,907</b>	<b>1,176,073</b>	<b>150,201</b>	<b>8,794,182</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,295,198</b>	<b>\$ 6,612,307</b>	<b>\$ 1,713,582</b>	<b>\$ 553,449</b>	<b>\$ 15,174,536</b>

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, 2013

Total fund balances of governmental funds	\$ 8,794,182
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.	24,155,475
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	378,679
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(184,286)
Long-term liabilities, including early retirement, bonds and notes payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(19,254,080)</u>
Net position of governmental activities	<u>\$ 13,889,970</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, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,308,440	\$ 686,288	\$ 1,316,294	\$ 238,656	\$ 5,549,678
Tuition	1,877,946	-	-	-	1,877,946
Other	143,155	15,987	47,111	393,993	600,246
State sources	5,987,130	257	161	98	5,987,646
Federal sources	286,114	-	-	-	286,114
Total revenues	<u>11,602,785</u>	<u>702,532</u>	<u>1,363,566</u>	<u>632,747</u>	<u>14,301,630</u>
Expenditures:					
Current:					
Instruction	8,282,614	-	-	457,118	8,739,732
Support services:					
Student	272,442	-	-	-	272,442
Instructional staff	598,105	-	359,276	-	957,381
Administration	1,331,895	-	96,762	174,340	1,602,997
Operation and maintenance of plant	762,976	-	650	-	763,626
Transportation	382,595	-	-	11,694	394,289
	<u>3,348,013</u>	<u>-</u>	<u>456,688</u>	<u>186,034</u>	<u>3,990,735</u>
Other expenditures:					
Facilities acquisition	-	-	644,677	-	644,677
Long term debt:					
Principal	-	990,000	-	5,000	995,000
Interest and fiscal charges	-	689,357	-	-	689,357
AEA flowthrough	393,008	-	-	-	393,008
	<u>393,008</u>	<u>1,679,357</u>	<u>644,677</u>	<u>5,000</u>	<u>2,722,042</u>
Total expenditures	<u>12,023,635</u>	<u>1,679,357</u>	<u>1,101,365</u>	<u>648,152</u>	<u>15,452,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(420,850)</u>	<u>(976,825)</u>	<u>262,201</u>	<u>(15,405)</u>	<u>(1,150,879)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 7,020	\$ -	\$ -	\$ -	7,020
Interfund transfers in (note 3)	-	700,213	-	-	700,213
Interfund transfers out (note 3)	-	-	(700,213)	-	(700,213)
Total other financing sources (uses)	<u>7,020</u>	<u>700,213</u>	<u>(700,213)</u>	<u>-</u>	<u>7,020</u>
Net change in fund balances	(413,830)	(276,612)	(438,012)	(15,405)	(1,143,859)
Fund balances beginning of year	<u>1,956,831</u>	<u>6,201,519</u>	<u>1,614,085</u>	<u>165,606</u>	<u>9,938,041</u>
Fund balances end of year	<u>\$ 1,543,001</u>	<u>\$ 5,924,907</u>	<u>\$ 1,176,073</u>	<u>\$ 150,201</u>	<u>\$ 8,794,182</u>

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, 2013

Net change in fund balances - total governmental funds \$ (1,143,859)

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

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

Expenditures for capital assets	\$ 1,356,030	
Depreciation expense	<u>(891,521)</u>	464,509

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 13,609

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 990,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 6,957

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	124,641	
Net OPEB liability	<u>(16,000)</u>	<u>108,641</u>

Change in net position of governmental activities \$ 439,857

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2013

	<u>School Nutrition</u>	<u>Nonmajor- Daycare</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 191,538	\$ 5,771	\$ 197,309
Accounts receivable	-	13,204	13,204
Inventories	2,273	-	2,273
Total current assets	<u>193,811</u>	<u>18,975</u>	<u>212,786</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation (note 5)	109,301	-	109,301
Total assets	<u>303,112</u>	<u>18,975</u>	<u>322,087</u>
Liabilities			
Current liabilities:			
Accounts payable	-	1,641	1,641
Salaries and benefits payable	1,189	13,931	15,120
Interfund payable (note 4)	2,000	-	2,000
Deferred revenue	11,924	-	11,924
Total current liabilities	<u>15,113</u>	<u>15,572</u>	<u>30,685</u>
Net Position			
Net investment in capital assets	109,301	-	109,301
Unrestricted	<u>178,698</u>	<u>3,403</u>	<u>182,101</u>
Total net position	<u>\$ 287,999</u>	<u>\$ 3,403</u>	<u>\$ 291,402</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	<u>School Nutrition</u>	<u>Nonmajor- Daycare</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 459,189	\$ 227,989	\$ 687,178
Operating expenses:			
Support services:			
Administration	3,561	-	3,561
Operation and maintenance of plant	1,795	-	1,795
Non-instructional programs	584,682	238,643	823,325
Total operating expenses	<u>590,038</u>	<u>238,643</u>	<u>828,681</u>
Operating loss	(130,849)	(10,654)	(141,503)
Non-operating revenues:			
Interest on investments	458	648	1,106
State sources	5,124	-	5,124
Federal sources	184,760	-	184,760
Total non-operating revenues	<u>190,342</u>	<u>648</u>	<u>190,990</u>
Change in net position	59,493	(10,006)	49,487
Net position beginning of year	<u>228,506</u>	<u>13,409</u>	<u>241,915</u>
Net position end of year	<u>\$ 287,999</u>	<u>\$ 3,403</u>	<u>\$ 291,402</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	School Nutrition	Nonmajor- Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 454,999	\$ -	\$ 454,999
Cash received from miscellaneous operating activities	3,236	229,831	233,067
Cash payments to employees for services	(226,164)	(220,757)	(446,921)
Cash payments to suppliers for goods or services	(302,537)	(18,789)	(321,326)
Net cash used by operating activities	<u>(70,466)</u>	<u>(9,715)</u>	<u>(80,181)</u>
Cash flows from non-capital financing activities:			
State grants received	5,124	-	5,124
Federal grants received	148,544	-	148,544
Net cash provided by non-capital financing activities	<u>153,668</u>	<u>-</u>	<u>153,668</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,533)</u>	<u>-</u>	<u>(1,533)</u>
Cash flows from investing activities:			
Interest on investments	<u>458</u>	<u>648</u>	<u>1,106</u>
Net increase (decrease) in cash and cash equivalents	82,127	(9,067)	73,060
Cash and cash equivalents beginning of year	<u>109,411</u>	<u>14,838</u>	<u>124,249</u>
Cash and cash equivalents end of year	<u>\$ 191,538</u>	<u>\$ 5,771</u>	<u>\$ 197,309</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	<u>School Nutrition</u>	<u>Nonmajor- Daycare</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (130,849)	\$ (10,654)	\$ (141,503)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	20,032	-	20,032
Commodities used	36,216	-	36,216
Decrease in accounts receivable	-	1,842	1,842
Decrease in inventories	1,900	-	1,900
Increase in accounts payable	-	773	773
Increase (decrease) in salaries and benefits payable	1,189	(1,676)	(487)
Increase in interfund payable	2,000	-	2,000
(Decrease) in deferred revenue	(954)	-	(954)
Net cash used by operating activities	<u>\$ (70,466)</u>	<u>\$ (9,715)</u>	<u>\$ (80,181)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$36,216 of federal commodities.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2013

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>1,941</u>	\$ <u>67,986</u>
Liabilities:		
Accounts payable	-	963
Other payables	<u>-</u>	<u>67,023</u>
Total liabilities	<u>-</u>	<u>67,986</u>
Net position:		
Restricted for scholarships	<u>\$ 1,941</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, 2013

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	2,000
Interest		<u>3</u>
Total additions		<u>2,003</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>2,000</u>
Change in net position		3
Net position beginning of year		<u>1,938</u>
Net position end of year	\$	<u><u>1,941</u></u>
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 that are 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 District-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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-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 government considers revenues to be available if they are collected within 60 days after year end.

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

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

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, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value 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 cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 District-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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2013 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 revenue in the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 two years.

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Deferred revenue for the proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-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, 2013.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the instruction and support services functions exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2013, the District had investments as follows:

	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust, Diversified Portfolio	\$ 1,325,466
U.S. Treasury Notes	<u>5,433,695</u>
	<u>\$ 6,759,161</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The U.S. treasury notes are stated at fair value.

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 700,213</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, 2013

Note 4. Interfund Receivables and Payables

At June 30, 2013, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
General	Special Revenue - Student Activity	\$ 90
Interfund balances between governmental and proprietary funds:		
General	Enterprise - School Nutrition	<u>2,000</u>
Total		<u>\$ 2,090</u>

The interfund balances are due to timing differences involved in various reimbursements at year end.

The balances between governmental funds are not included on the District-wide Statement of Net Position.  
The balances between governmental and proprietary funds have been eliminated on the face of the District-wide Statement of Net Position.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Construction in progress	5,367,093	492,663	5,859,756	-
Total capital assets not being depreciated	<u>5,725,230</u>	<u>492,663</u>	<u>5,859,756</u>	<u>358,137</u>
Capital assets being depreciated:				
Buildings	21,205,566	5,859,756	-	27,065,322
Improvements other than buildings	803,623	-	-	803,623
Furniture and equipment	2,374,076	863,367	133,846	3,103,597
Total capital assets being depreciated	<u>24,383,265</u>	<u>6,723,123</u>	<u>133,846</u>	<u>30,972,542</u>
Less accumulated depreciation for:				
Buildings	3,912,907	531,171	-	4,444,078
Improvements other than buildings	555,673	18,435	-	574,108
Furniture and equipment	1,948,949	341,915	133,846	2,157,018
Total accumulated depreciation	<u>6,417,529</u>	<u>891,521</u>	<u>133,846</u>	<u>7,175,204</u>
Total capital assets being depreciated, net	<u>17,965,736</u>	<u>5,831,602</u>	<u>-</u>	<u>23,797,338</u>
Governmental activities capital assets, net	<u>\$ 23,690,966</u>	<u>\$ 6,324,265</u>	<u>\$ 5,859,756</u>	<u>\$ 24,155,475</u>
Business-type activities:				
Furniture and equipment	\$ 239,464	\$ 1,533	\$ 1,044	\$ 239,953
Less accumulated depreciation	111,664	20,032	1,044	130,652
Business-type activities capital assets, net	<u>\$ 127,800</u>	<u>\$ (18,499)</u>	<u>\$ -</u>	<u>\$ 109,301</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction	\$ 125,561
Support services:	
Student	4,480
Instructional staff	75,040
Administration	40,423
Operation and maintenance of plant	14,140
Transportation	<u>56,616</u>
	316,260
Unallocated depreciation	<u>575,261</u>
Total depreciation expense - governmental activities	\$ <u>891,521</u>
Business-type activities:	
Food service operations	\$ <u>20,032</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 148,721	\$ -	\$ 124,641	\$ 24,080	\$ 19,048
General obligation bonds	11,755,000	-	405,000	11,350,000	425,000
Revenue bonds	8,175,000	-	525,000	7,650,000	320,000
Energy loan notes	260,000	-	60,000	200,000	65,000
Net OPEB liability	14,000	16,000	-	30,000	-
Total	<u>\$ 20,352,721</u>	<u>\$ 16,000</u>	<u>\$ 1,114,641</u>	<u>\$ 19,254,080</u>	<u>\$ 829,048</u>

Early Retirement

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

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

At June 30, 2013, the District has obligations to three participants with a total liability of \$24,080. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$124,641. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds

On June 1, 2012, the District issued \$5,560,000 of general obligation bonds with interest rates of 1.00% to 2.05%. The bonds will be used to crossover refund the June 1, 2004 general obligation bonds with interest rates from 4.1% to 4.8%. The June 1, 2004 revenue bonds are callable on June 1, 2014. Proceeds from the issuance of the June 1, 2012 bonds were placed in escrow and will be used to pay the interest on the new bonds until the June 1, 2014 redemption date and then redeem the remaining outstanding June 1, 2004 bonds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds (continued)

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated June 1, 2004		
		Principal	Interest	Total
2014	4.50 %	\$ 425,000	\$ 259,900	\$ 684,900
2015	4.10	445,000	240,776	685,776
2016	4.20	460,000	222,530	682,530
2017	4.25	480,000	203,210	683,210
2018	4.30	500,000	182,810	682,810
2019-2023	4.40-4.75	2,835,000	562,420	3,397,420
2024	4.80	645,000	30,960	675,960
		<u>\$ 5,790,000</u>	<u>\$ 1,702,606</u>	<u>\$ 7,492,606</u>

Year Ending June 30,	Interest Rates	Issue dated June 1, 2012		
		Principal	Interest	Total
2014	- %	\$ -	\$ 82,770	\$ 82,770
2015	1.00	530,000	82,770	612,770
2016	1.00	535,000	77,470	612,470
2017	1.00	540,000	72,120	612,120
2018	1.15	545,000	66,720	611,720
2019-2023	1.35-2.00	2,820,000	216,325	3,036,325
2024	2.05	590,000	12,095	602,095
		<u>\$ 5,560,000</u>	<u>\$ 610,270</u>	<u>\$ 6,170,270</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 425,000	\$ 342,670	\$ 767,670
2015	975,000	323,546	1,298,546
2016	995,000	300,000	1,295,000
2017	1,020,000	275,330	1,295,330
2018	1,045,000	249,530	1,294,530
2019-2023	5,655,000	778,745	6,433,745
2024	1,235,000	43,055	1,278,055
	<u>\$ 11,350,000</u>	<u>\$ 2,312,876</u>	<u>\$ 13,662,876</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

In the year ended June 30, 2010, the District defeased certain revenue bonds by placing part of the proceeds of new bonds in escrow to provide for all future debt service payments on the old bonds until the July 1, 2013 call date. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$1,480,000 of bonds outstanding are considered defeased.

Details of the District's June 30, 2013 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	2.000 %	\$ 320,000	\$ 306,960	\$ 626,960
2015	3.000	330,000	298,810	628,810
2016	3.000	340,000	288,760	628,760
2017	3.000	355,000	278,335	633,335
2018	3.400	370,000	266,720	636,720
2019-2023	4.000-4.200	2,085,000	1,099,944	3,184,944
2024-2028	4.300-4.625	2,610,000	600,677	3,210,677
2029-2030	4.700	1,240,000	58,986	1,298,986
		<u>\$ 7,650,000</u>	<u>\$ 3,199,192</u>	<u>\$ 10,849,192</u>

The District pledged future statewide sales and services tax revenues to repay the \$8,685,000 bonds issued in March 2010. The bonds were issued for the purpose of refunding the June 2008 revenue bonds and financing various building renovation projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70 to 80 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$10,849,192. For the current year, principal of \$525,000 and interest of \$315,410 was paid on the bonds and total statewide sales and services tax revenues were \$887,306.

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. \$2,942,870 of the proceeds shall be deposited to an escrow account to advance refund the June 2008 revenue bonds. The balance of the proceeds shall be deposited to the Project Fund.
- (b) All proceeds from the stateside sales and services tax shall be placed in a Revenue Fund.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Energy Loan Notes

Details of the District's June 30, 2013 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.85 %	\$ 65,000	\$ 7,802	\$ 72,802
2015	3.90	65,000	5,300	70,300
2016	3.95	70,000	2,765	72,765
		<u>\$ 200,000</u>	<u>\$ 15,867</u>	<u>\$ 215,867</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 24 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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, 2013

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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 22,000
Interest on net OPEB obligation	300
Adjustment to annual required contribution	<u>(1,300)</u>
Annual OPEB cost	21,000
Contributions made	<u>(5,000)</u>
Increase in net OPEB obligation	16,000
Net OPEB obligation beginning of year	<u>14,000</u>
Net OPEB obligation end of year	<u><u>\$ 30,000</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, 2013.

For the year ended June 30, 2013, the District contributed \$5,000 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 16,000	68.8%	\$ 11,000
2012	15,000	80.0%	14,000
2013	21,000	23.8%	30,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$138,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$138,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,333,000, and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2013, 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

Note 8. Short-Term Debt Activity

During the year ended June 30, 2013, the District entered into short-term interfund loans from the General Fund to the Special Revenue, Management Levy Fund and the Capital Projects Fund. The loans were necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax and statewide sales and services tax revenues. The loans included interest at 0.02%.

A summary of the short-term debt activity for the year ended June 30, 2013 is as follows:

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

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 lease payments during the term of the leases.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Operating Leases (continued)

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 62,402
2015	21,595
2016	<u>707</u>
	<u>\$ 84,704</u>

Total payments on operating lease agreements for the year ended June 30, 2013 were \$69,766.

Note 10. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$691,398, \$625,257, and \$505,722, respectively, equal to the required contributions for each year.

Note 11. Risk Management

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

Note 12. 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 \$393,008 for the year ended June 30, 2013 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, 2013

Note 13. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following program:

<u>Program</u>	<u>Amount</u>
Professional development	\$ <u>194</u>

Note 14. Contingency

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

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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, 2013

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 8,027,870	\$ 688,284	\$ 8,716,154	\$ 8,887,715	\$ (171,561)
State sources	5,987,646	5,124	5,992,770	6,036,137	(43,367)
Federal sources	286,114	184,760	470,874	416,900	53,974
<b>Total revenues</b>	<b>14,301,630</b>	<b>878,168</b>	<b>15,179,798</b>	<b>15,340,752</b>	<b>(160,954)</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	8,739,732	-	8,739,732	8,563,715	(176,017)
Support services	3,990,735	5,356	3,996,091	3,957,163	(38,928)
Non-instructional programs	-	823,325	823,325	1,066,416	243,091
Other expenditures	2,722,042	-	2,722,042	3,227,346	505,304
<b>Total expenditures/expenses</b>	<b>15,452,509</b>	<b>828,681</b>	<b>16,281,190</b>	<b>16,814,640</b>	<b>533,450</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,150,879)	49,487	(1,101,392)	(1,473,888)	372,496
Other financing sources, net	7,020	-	7,020	-	7,020
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,143,859)	49,487	(1,094,372)	(1,473,888)	379,516
Balance beginning of year	9,938,041	241,915	10,179,956	3,845,383	6,334,573
Balance end of year	<u>\$ 8,794,182</u>	<u>\$ 291,402</u>	<u>\$ 9,085,584</u>	<u>\$ 2,371,495</u>	<u>\$ 6,714,089</u>

See accompanying independent auditor's report.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2013

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 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, 2013, expenditures in the instruction and support services functions exceeded the amount budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information  
Year Ended June 30, 2013

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%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 48,255	\$ 110,763	\$ 159,018
Receivables:			
Property tax:			
Current year	1,381	-	1,381
Succeeding year	393,050	-	393,050
	\$ 442,686	\$ 110,763	\$ 553,449
Total assets			
	\$ 442,686	\$ 110,763	\$ 553,449
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 10,108	\$ 10,108
Interfund payable	-	90	90
Deferred revenue:			
Succeeding year property tax	393,050	-	393,050
Total liabilities	393,050	10,198	403,248
Fund balances:			
Restricted for:			
Management levy purposes	49,636	-	49,636
Student activities	-	100,565	100,565
Total fund balances	49,636	100,565	150,201
	\$ 442,686	\$ 110,763	\$ 553,449

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, 2013

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Revenues:			
Local sources:			
Local tax	\$ 238,656	\$ -	\$ 238,656
Other	8,733	385,260	393,993
State sources	98	-	98
Total revenues	<u>247,487</u>	<u>385,260</u>	<u>632,747</u>
Expenditures:			
Current:			
Instruction	79,682	377,436	457,118
Support services:			
Administration	174,340	-	174,340
Transportation	11,694	-	11,694
Other expenditures:			
Long term debt:			
Principal	5,000	-	5,000
Total expenditures	<u>270,716</u>	<u>377,436</u>	<u>648,152</u>
Net change in fund balances	(23,229)	7,824	(15,405)
Fund balances beginning of year	<u>72,865</u>	<u>92,741</u>	<u>165,606</u>
Fund balances end of year	<u>\$ 49,636</u>	<u>\$ 100,565</u>	<u>\$ 150,201</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 866,014	\$ 246,025	\$ 1,112,039
Receivables:			
Property tax:			
Current year	-	2,381	2,381
Succeeding year	-	450,991	450,991
Due from other governments	148,171	-	148,171
 Total assets	 \$ 1,014,185	 \$ 699,397	 \$ 1,713,582
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 73,197	\$ 13,321	\$ 86,518
Deferred revenue:			
Succeeding year property tax	-	450,991	450,991
Total liabilities	73,197	464,312	537,509
 <b>Fund balances:</b>			
Restricted for:			
Revenue bonds	828,909	-	828,909
School infrastructure	112,079	-	112,079
Physical plant and equipment	-	235,085	235,085
Total fund balances	940,988	235,085	1,176,073
 Total liabilities and fund balances	 \$ 1,014,185	 \$ 699,397	 \$ 1,713,582

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 887,306	\$ 428,988	\$ 1,316,294
Other	172	46,939	47,111
State sources	-	161	161
Total revenues	<u>887,478</u>	<u>476,088</u>	<u>1,363,566</u>
Expenditures:			
Current:			
Support services:			
Instructional staff operations	179,606	179,670	359,276
Administration operations	24	96,738	96,762
Operation and maintenance of plant	-	650	650
Other expenditures:			
Facilities acquisition	261,145	383,532	644,677
Total expenditures	<u>440,775</u>	<u>660,590</u>	<u>1,101,365</u>
Excess (deficiency) of revenues over (under) expenditures	446,703	(184,502)	262,201
Other financing uses			
Interfund transfers out	<u>(700,213)</u>	-	<u>(700,213)</u>
Net change in fund balances	(253,510)	(184,502)	(438,012)
Fund balances beginning of year	<u>1,194,498</u>	<u>419,587</u>	<u>1,614,085</u>
Fund balances end of year	<u>\$ 940,988</u>	<u>\$ 235,085</u>	<u>\$ 1,176,073</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Drama & Speech	\$ -	\$ 2,613	\$ 2,613	\$ -
Musical	107	5,907	6,014	-
Vocal	-	1,512	1,446	66
Jazz Choir	-	5,600	5,527	73
Band	1,089	1,354	928	1,515
Fine Arts	3,046	23,371	25,060	1,357
Cross Country Co-Ed	-	7,155	7,155	-
Girls Tennis	-	507	507	-
Boys Basketball	-	12,865	12,865	-
Boys Football	-	20,835	20,835	-
Boys Soccer	-	6,658	6,658	-
Boys Baseball	-	8,482	8,482	-
Boys Track	-	3,327	3,327	-
Boys Golf	-	3,987	3,987	-
Miscellaneous Athletics	-	9,837	9,837	-
Boys Wrestling	-	6,597	6,597	-
Girls Basketball	-	7,169	7,169	-
Girls Volleyball	-	13,929	13,929	-
Girls Soccer	-	1,975	1,975	-
Girls Softball	-	10,654	10,654	-
Girls Track	-	5,866	5,866	-
Fundraising Football	5,109	17,076	16,098	6,087
Fundraising Boys Soccer	316	-	-	316
Fundraising Girls Soccer	512	683	587	608
Boys Basketball Fundraising	488	4,632	2,971	2,149
Girls Track and Field Fundraising	670	14,088	10,934	3,824
Volleyball Fundraising	-	8,363	7,772	591
Fundraising Cross Country	-	1,166	1,166	-
Fundraising Softball	-	9,179	7,300	1,879
Activities Group Resale	-	2,198	2,198	-
Art Club	2,075	2,925	1,855	3,145
Building Construction	-	3,027	3,027	-
Student Activities Group	332	1,116	628	820
Strings	733	860	1,133	460
Uniform/Robe Rental	-	1,530	1,450	80
Academic Decathlon	100	-	-	100
Student Council	2,090	2,000	2,068	2,022
Chess Club	351	-	-	351
Yearbook	8,157	20,481	20,299	8,339



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Class of 2012	\$ 286	\$ -	\$ 286	\$ -
Class of 2013	1,237	1,645	2,882	-
Class of 2014	1,500	1,730	1,624	1,606
Class of 2015	-	1,500	-	1,500
Cheerleading	1,268	7,939	8,900	307
Fall Play	1,910	4,195	5,230	875
Dance Group	1,583	-	-	1,583
Audio Design Club	398	-	134	264
Robotics	1,303	5,250	6,553	-
Cyber Defense Club	503	-	503	-
Garden Club	212	-	-	212
Archery Club	446	-	375	71
Student Council Project	1,160	4,214	4,182	1,192
Water Polo Club	3	-	-	3
Thespian Society Club	-	4,278	4,278	-
Speed and Agility Club	9,855	12,185	11,280	10,760
Mustang Munchies	92	-	92	-
International Students Club	230	450	94	586
Student Run Play	-	2,439	2,439	-
Entrepreneur Club	607	-	-	607
Scholarship Fund	-	2,928	2,928	-
German Trip	240	-	-	240
Spanish Club	-	12,444	12,444	-
Library Club	2,390	862	739	2,513
Band Trip	238	-	-	238
Special Activities Group Fees	396	25	416	5
Middle School:				
Band	-	812	787	25
Cross Country	-	779	779	-
Boys Basketball	143	2,355	2,498	-
Boys Football	-	3,320	3,320	-
Boys Track	477	-	477	-
Boys Wrestling	583	-	583	-
Girls Basketball	-	2,706	2,706	-
Girls Volleyball	228	1,153	1,381	-
Girls Softball	-	861	861	-
Girls Track	-	587	587	-
Activities Group Resale	443	1,669	1,754	358
Student Activities Group	4,597	7,642	5,987	6,252

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
8th Grade Musical	\$ 865	\$ 648	\$ 510	\$ 1,003
Strings	-	529	516	13
Student Council	860	1,908	1,393	1,375
Yearbook	6,120	4,389	3,825	6,684
Science Olympiad	1,705	19,298	19,272	1,731
Canstruction	1,693	200	1,270	623
Book Club	-	344	344	-
Pride	-	7,992	7,974	18
7th Grade Service Club	1,063	2,962	2,372	1,653
Band Instruments	308	930	591	647
Special Activities Group Fees	583	-	-	583
Trips	5,209	-	-	5,209
Birthday Books	180	2,395	2,343	232
Elementary:				
Student Activities Group	15,790	3,527	2,338	16,979
Strings	240	741	981	-
We Tap	-	5,225	5,200	25
Birthday Books	622	680	491	811
 Total	 \$ 92,741	 \$ 385,260	 \$ 377,436	 \$ 100,565

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, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 34,347	\$ 108,378	\$ 74,739	\$ 67,986
Liabilities				
Accounts payable	\$ 1,281	\$ 963	\$ 1,281	\$ 963
Other payables	33,066	107,415	73,458	67,023
Total	\$ 34,347	\$ 108,378	\$ 74,739	\$ 67,986

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 NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,549,678	\$ 5,710,704	\$ 5,409,382	\$ 4,917,569
Tuition	1,877,946	1,807,800	1,690,633	1,441,273
Other	600,246	631,686	625,355	503,031
Intermediate sources				
State sources	5,987,646	5,979,937	5,789,536	4,934,704
Federal sources	286,114	242,345	631,863	1,120,415
<b>Total revenues</b>	<b>\$ 14,301,630</b>	<b>\$ 14,372,472</b>	<b>\$ 14,146,769</b>	<b>\$ 12,916,992</b>
<b>Expenditures:</b>				
Instruction	\$ 8,739,732	\$ 8,037,426	\$ 7,203,900	\$ 7,083,873
Regular instruction				
Other instruction				
Support services:				
Student	272,442	298,961	405,284	660,786
Instructional staff	957,381	619,775	629,914	601,292
Administration	1,602,997	1,299,461	1,381,318	1,459,404
Operation and maintenance of plant	763,626	903,180	719,689	751,148
Transportation	394,289	338,856	394,642	300,164
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	644,677	4,293,760	1,738,194	786,461
Long-term debt:				
Principal	995,000	960,000	675,000	1,040,000
Interest and fiscal charges	689,357	702,670	593,910	676,513
AEA flowthrough	393,008	389,218	423,338	408,485
<b>Total expenditures</b>	<b>\$ 15,452,509</b>	<b>\$ 17,843,307</b>	<b>\$ 14,165,189</b>	<b>\$ 13,768,126</b>

See accompanying independent auditor's report.

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2013.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described as item I-A-13 in the accompanying Schedule of Findings and certain immaterial instances of noncompliance or other matters 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mount Vernon Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa  
November 8, 2013

*Hunt + Associates, P.C.*

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

I-A-13 Board Approval – We noted that the Board did not officially approve a computer lease agreement and that the contract was not signed by the Board President, as required by Chapter 291.1 of the Code of Iowa.

Recommendation – All contracts, including computer lease agreements, should be approved by the Board and documented in the minutes. All contracts should also be signed by the Board President.

Response – We will make sure that all contracts are approved by the Board, properly documented in the minutes, and signed by the Board President.

Conclusion – Response accepted.

Internal Control Deficiencies:

No matters were noted.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amount budgeted in the instruction and support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – This was due to a one time technology purchase late in the fiscal year after the deadline to amend the budget. In the future, we will amend our budget when necessary before expenditures exceed the budget.

Conclusion – Response accepted.

II-B-13 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-13 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-13 Business Transactions – Required disclosures for business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joann Gage Spouse of Board President	Teacher Contract*	\$67,432
Kathleen Cochrane Spouse of Board Member	Associate Contract*	\$22,284
Vicky Wieseler Spouse of Board Member	Secretary/Registrar Contract*	\$37,964
Mallory Roudabush Daughter of Board Member	Daycare Worker Pay*	\$631

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

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

II-E-13 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-13 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, 2013

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

- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted. However, the report was not certified timely. It was filed one day later than required.  
  
Recommendation – In the future, the District should file the certified enrollment report in a timely manner.  
  
Response – We will file our certified enrollment report in a timely manner in the future.  
  
Conclusion – Response accepted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 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-13 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-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,194,498
Revenues:		
Sales tax revenues	\$ 887,306	
Interest	172	887,478
Expenditures/transfers out:		
School infrastructure construction	261,145	
Equipment	179,606	
Other	24	
Transfers to other funds:		
Debt Service Fund	700,213	1,140,988
Ending balance		\$ 940,988

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

II-L-13 Statewide Sales and Services Tax (continued)

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.