

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
MOUNT VERNON, IOWA

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

JUNE 30, 2010

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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

OFFICIALS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2010 on our consideration of Mount Vernon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Oskaloosa, Iowa
December 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

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

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

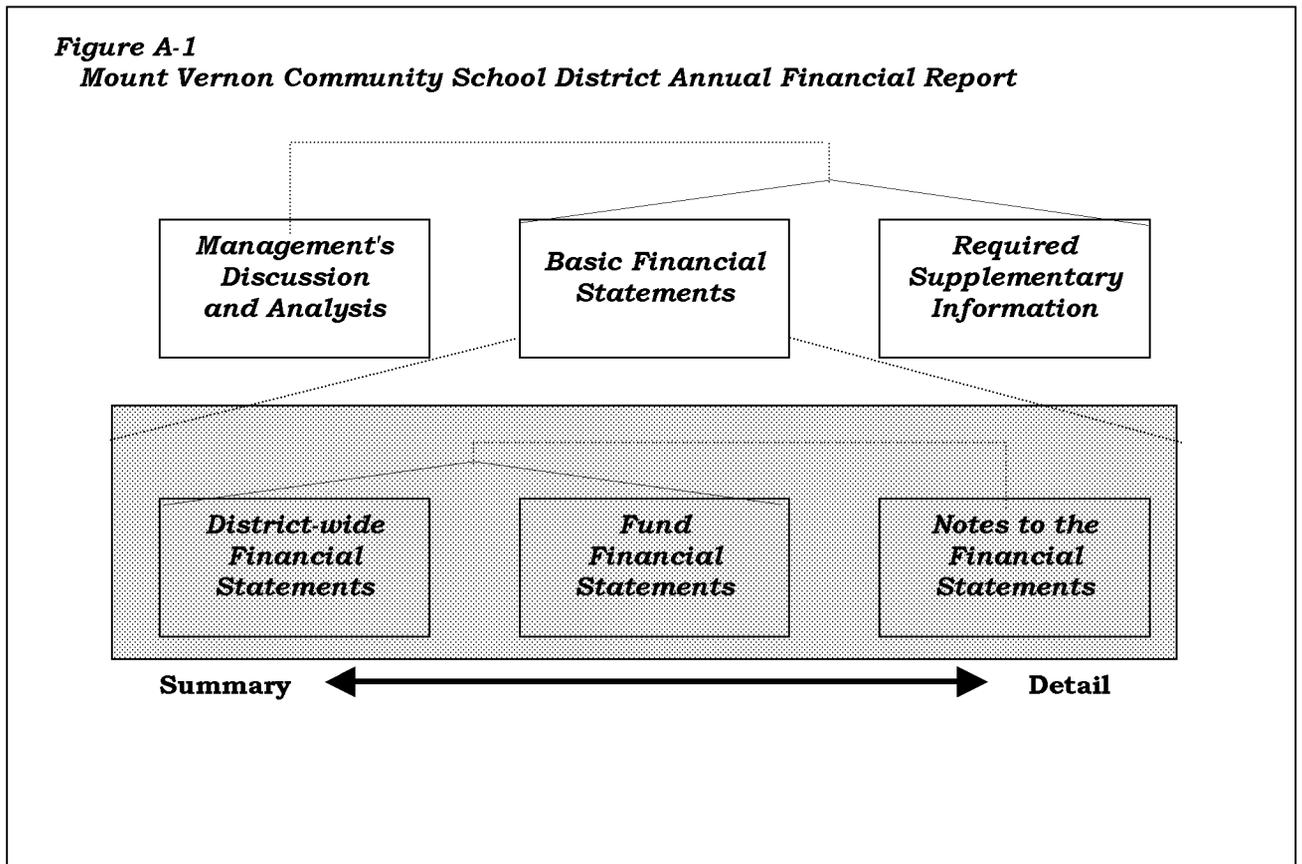


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 as compared to June 30, 2009.

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

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

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

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

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

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

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

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

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

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

Governmental Activities

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

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

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

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

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

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

Business Type Activities

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

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

INDIVIDUAL FUND ANALYSIS

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

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

Governmental Fund Highlights

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

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$18.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$680,072.

The original cost of the District's capital assets was \$24 million primarily in the governmental funds.

Figure A-6

Capital Assets, net of Depreciation (Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2009-2010
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$358	358	-	-	358	358	-
Construction in progress	812	-	-	-	812	-	812
Buildings	16,657	17,022	-	-	16,657	17,022	-365
Improvements other than buildings	249	249	-	-	249	249	-
Furniture and equipment	423	495	145	153	568	648	-80
Totals	18,499	18,124	145	153	18,644	18,277	367

Long-Term Debt

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

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

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

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

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

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

Net (Expense) Revenue
and Changes in Net Assets

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs

General Revenues:

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

Total general revenues

Special item - gain on sale of building

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

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

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

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

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

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

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

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

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

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

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

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recorded as
an expenditure in the funds when due. In the Statement of Activities,
however, interest expense is recognized as the interest accrues, regardless
of when it is due. (37,986)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

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

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

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

See notes to financial statements.

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

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

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

Non-cash investing, capital and financing activities:

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2010

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

See notes to financial statements.

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

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 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.

The District reports the following proprietary funds:

The District's enterprise funds are the School Nutrition Fund, Daycare Fund, and Summer Daycare Fund. These funds are used to account for the food service, daycare, and summer daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. 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, 2010

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 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 assets 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.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 fund is 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, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2010 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 on 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, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 Assets. 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 of depreciation 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 expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets for governmental activities consists of unspent grant proceeds and 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 Assets.

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, 2010.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$3,212,050.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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.

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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>5,124,955</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 193,049
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>256,613</u>
Total		\$ <u>449,662</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, 2010

Note 4. Interfund Receivables and Payables

At June 30, 2010, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other receivables:		
General	Enterprise - School Nutrition	\$ <u>20,943</u>

The interfund balances are due to timing differences in payroll reimbursements between funds. These interfund balances have been eliminated on the face of the District-wide Statement of Net Assets.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Construction in progress	-	812,010	-	812,010
Total capital assets not being depreciated	<u>358,137</u>	<u>812,010</u>	<u>-</u>	<u>1,170,147</u>
Capital assets being depreciated:				
Buildings	20,040,498	103,263	405,097	19,738,664
Improvements other than buildings	754,876	17,816	-	772,692
Furniture and equipment	2,077,373	181,491	-	2,258,864
Total capital assets being depreciated	<u>22,872,747</u>	<u>302,570</u>	<u>405,097</u>	<u>22,770,220</u>
Less accumulated depreciation for:				
Buildings	3,018,358	391,168	327,527	3,081,999
Improvements other than buildings	505,499	17,715	-	523,214
Furniture and equipment	1,582,727	253,064	-	1,835,791
Total accumulated depreciation	<u>5,106,584</u>	<u>661,947</u>	<u>327,527</u>	<u>5,441,004</u>
Total capital assets being depreciated, net	<u>17,766,163</u>	<u>(359,377)</u>	<u>77,570</u>	<u>17,329,216</u>
Governmental activities capital assets, net	<u>\$ 18,124,300</u>	<u>\$ 452,633</u>	<u>\$ 77,570</u>	<u>\$ 18,499,363</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 227,046	\$ 10,289	\$ -	\$ 237,335
Less accumulated depreciation	<u>73,927</u>	<u>18,125</u>	<u>-</u>	<u>92,052</u>
Business-type activities capital assets, net	<u>\$ 153,119</u>	<u>\$ (7,836)</u>	<u>\$ -</u>	<u>\$ 145,283</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 151,946
Support services:	
Instructional staff	55,776
Administration	5,600
Operation and maintenance of plant services	13,446
Transportation	<u>36,313</u>
	263,081
Unallocated depreciation	<u>398,866</u>
Total governmental activities depreciation expense	<u>\$ 661,947</u>
Business-type activities:	
Food service operations	<u>\$ 18,125</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ -	\$ 211,183	\$ -	\$ 211,183	\$ -
General obligation bonds	7,320,000	-	360,000	6,960,000	375,000
Revenue bonds	3,170,000	8,685,000	3,170,000	8,685,000	-
Energy loan notes	430,000	-	55,000	375,000	55,000
Capital loan notes	485,000	-	240,000	245,000	245,000
Net OPEB liability	-	6,000	-	6,000	-
Total	\$ 11,405,000	\$ 8,902,183	\$ 3,825,000	\$ 16,482,183	\$ 675,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-four on or before August 1, 2010. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible teacher is equal to 2/3 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. The early retirement benefit for each eligible administrator is equal to 85% of the employee's salary including the school benefit. Early retirement benefits for teachers will be paid in three annual installments in September. Early retirement benefits for administrators will be paid in either a lump sum payment in July or in three annual installments in July.

At June 30, 2010, the District has obligations to nine participants with a total liability of \$411,547. There were no actual early retirement payments during the year ended June 30, 2010. The cost of early retirement payments expected to be liquidated currently of \$200,364 is recorded as liabilities of the General Fund and the Special Revenue, Management Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.50 %	\$ 375,000	\$ 312,550	\$ 687,550
2012	4.50	390,000	295,676	685,676
2013	4.50	405,000	278,126	683,126
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	4.40	520,000	161,310	681,310
2020	4.50	540,000	138,430	678,430
2021	4.60	565,000	114,130	679,130
2022	4.70	590,000	88,140	678,140
2023	4.75	620,000	60,410	680,410
2024	4.80	645,000	30,960	675,960
		\$ 6,960,000	\$ 2,588,958	\$ 9,548,958

Revenue Bonds

On March 22, 2010, the District issued \$8,685,000 of school infrastructure sales, services, and use tax revenue bonds with interest rates of 2.0% to 4.7%. A portion of the revenue bonds were used to advance refund the June 1, 2008 school infrastructure local option sales and services tax revenue bonds with interest rates from 2.8% to 3.8%. The June 1, 2008 revenue bonds are callable on July 1, 2013. Proceeds from the issuance of the March 22, 2010 revenue bonds of \$2,942,870 were placed in escrow and will be used to redeem the June 1, 2008 revenue bonds. This is an advance refunding agreement and meets all the requirements for a debt defeasance. Therefore, the June 1, 2008 revenue bonds have been removed as a long-term liability of the District.

As a result of the advance refunding, the District increased its total debt service requirements by \$134,868, which resulted in a net present value economic loss of \$182,125. However, the refunding was not done for interest savings but in order to remove a more restrictive coverage covenant in the refunded bonds, to lower the annual payment obligation on the previous borrowing, and to allow for the issuance of more new bonds to fund additional projects.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Details of the District's June 30, 2010 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	- %	\$ -	\$ 256,417	\$ 256,417
2012	2.000	510,000	325,760	835,760
2013	2.000	525,000	315,410	840,410
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	4.000	380,000	252,830	632,830
2020	4.000	400,000	237,230	637,230
2021	4.000	415,000	220,930	635,930
2022	4.100	435,000	203,713	638,713
2023	4.200	455,000	185,241	640,241
2024	4.300	475,000	165,473	640,473
2025	4.400	495,000	144,370	639,370
2026	4.500	520,000	121,780	641,780
2027	4.625	545,000	97,477	642,477
2028	4.625	575,000	71,577	646,577
2029	4.700	605,000	44,063	649,063
2030	4.700	635,000	14,923	649,923
		<u>\$ 8,685,000</u>	<u>\$ 4,096,779</u>	<u>\$ 12,781,779</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 purposes 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. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 25 to 75 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$12,781,779. For the current year, principal and interest of \$481,620 were paid on the June 2008 revenue bonds that have been defeased as noted above and total statewide sales and services tax revenues were \$1,104,459.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

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

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

Energy Loan Notes

Details of the District's June 30, 2010 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.55 %	\$ 55,000	\$ 14,195	\$ 69,195
2012	3.65	60,000	12,242	72,242
2013	3.75	60,000	10,053	70,053
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>\$ 375,000</u>	<u>\$ 52,357</u>	<u>\$ 427,357</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2010 capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.45 %	\$ 245,000	\$ 8,452	\$ 253,452

Note 7. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

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 25 active and 4 retired members in the plan. 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, 2010

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, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 17,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>17,000</u>
Contributions made	<u>11,000</u>
Increase in net OPEB obligation	6,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 6,000</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, 2010.

For the year ended June 30, 2010, the District contributed \$11,000 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 as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 17,000	64.7%	\$ 6,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$192,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$192,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,963,000, and the ratio of the UAAL to covered payroll was 9.8%. As of June 30, 2010, 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, 2010

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, 2009 actuarial valuation date, the frozen 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. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 8. Short-Term Debt Activity

During the year ended June 30, 2010, the District entered into a short-term interfund loan from the Capital Projects Fund to the Special Revenue, Management Levy Fund. The loan was necessary to provide temporary financing during periods of low cash flows due to timing differences between insurance expenditures and expected property tax revenues. The loan included interest at 1%.

A summary of the short-term debt activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Interfund loans	\$ -	\$ 34,805	\$ 34,805	\$ -

Note 9. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$483,983, \$453,525, and \$399,974, respectively, equal to the required contributions for each year.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. 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 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$408,485 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Salary improvement program	\$ 61,435
Professional development	5,210
Market factor incentives	<u>8,156</u>
Total	<u>\$ 74,801</u>

Note 13. Construction Commitments

The District has entered into a contract totaling \$1,046,000 for middle school renovations. As of June 30, 2010, costs of \$473,304 had been incurred against the contract. The balance of \$572,696 remaining at June 30, 2010 will be paid as work on the project progresses.

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, 2010

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 6,861,873	\$ 549,687	\$ 7,411,560	\$ 7,296,982	\$ 7,296,982	\$ 114,578
State sources	4,934,704	5,337	4,940,041	6,071,324	6,071,324	(1,131,283)
Federal sources	1,120,415	152,203	1,272,618	876,686	876,686	395,932
Total revenues	12,916,992	707,227	13,624,219	14,244,992	14,244,992	(620,773)
EXPENDITURES/EXPENSES:						
Instruction	7,083,873	-	7,083,873	7,381,795	7,381,795	297,922
Support services	3,772,794	21,201	3,793,995	3,850,653	3,850,653	56,658
Non-instructional programs	-	716,571	716,571	796,614	796,614	80,043
Other expenditures	2,911,459	-	2,911,459	2,735,325	6,493,862	3,582,403
Total expenditures/expenses	13,768,126	737,772	14,505,898	14,764,387	18,522,924	4,017,026
Excess (deficiency) of revenues over (under) expenditures/ expenses	(851,134)	(30,545)	(881,679)	(519,395)	(4,277,932)	3,396,253
Other financing sources, net	5,882,640	-	5,882,640	-	-	5,882,640
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	5,031,506	(30,545)	5,000,961	(519,395)	(4,277,932)	9,278,893
Balance beginning of year	2,810,435	218,682	3,029,117	3,298,624	3,298,624	(269,507)
Balance end of year	<u>\$ 7,841,941</u>	<u>\$ 188,137</u>	<u>\$ 8,030,078</u>	<u>\$ 2,779,229</u>	<u>\$ (979,308)</u>	<u>\$ 9,009,386</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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 the accrual 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, the District adopted one budget amendment increasing budgeted expenditures by \$3,758,537.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)
Required Supplementary Information
Year Ended June 30, 2010

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%

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.

Other Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 137,553	\$ 60,999	\$ 159,463	\$ 358,015
Receivables:				
Property tax:				
Current year	1,337	-	2,936	4,273
Succeeding year	131,693	-	386,276	517,969
Accounts	1,058	2,291	-	3,349
Total assets	\$ 271,641	\$ 63,290	\$ 548,675	\$ 883,606
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,508	\$ 12,591	\$ 14,099
Early retirement payable	91,695	-	-	91,695
Deferred revenue:				
Succeeding year property tax	131,693	-	386,276	517,969
Total liabilities	223,388	1,508	398,867	623,763
Fund balances:				
Unreserved:				
Undesignated	48,253	61,782	149,808	259,843
Total liabilities and fund balances	\$ 271,641	\$ 63,290	\$ 548,675	\$ 883,606

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, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 158,023	\$ -	\$ 363,033	\$ 521,056
Other	17,202	313,879	30,183	361,264
State sources	82	-	181	263
Total revenues	175,307	313,879	393,397	882,583
Expenditures:				
Current:				
Instruction	60,636	291,651	-	352,287
Support services:				
Administration services	158,993	-	60,290	219,283
Transportation services	-	-	8,500	8,500
Other expenditures:				
Facilities acquisition	-	-	126,772	126,772
Total expenditures	219,629	291,651	195,562	706,842
Excess (deficiency) of revenues over (under) expenditures	(44,322)	22,228	197,835	175,741
Other financing sources (uses):				
Sale of real property	-	-	105,935	105,935
Interfund transfers out	-	-	(256,613)	(256,613)
Total other financing sources (uses)	-	-	(150,678)	(150,678)
Net change in fund balances	(44,322)	22,228	47,157	25,063
Fund balances beginning of year	92,575	39,554	102,651	234,780
Fund balances end of year	\$ 48,253	\$ 61,782	\$ 149,808	\$ 259,843

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2010

	School Nutrition	Daycare	Summer Daycare	Total
Assets				
Cash and cash equivalents	\$ 65,251	\$ 9,157	\$ 8,831	\$ 83,239
Inventories	3,280	-	-	3,280
Capital assets, net of accumulated depreciation	145,283	-	-	145,283
Total assets	<u>213,814</u>	<u>9,157</u>	<u>8,831</u>	<u>231,802</u>
Liabilities				
Accounts payable	1,457	-	398	1,855
Salaries and benefits payable	-	809	8,727	9,536
Interfund payable	20,943	-	-	20,943
Deferred revenue	11,331	-	-	11,331
Total liabilities	<u>33,731</u>	<u>809</u>	<u>9,125</u>	<u>43,665</u>
Net Assets				
Invested in capital assets	145,283	-	-	145,283
Unrestricted	34,800	8,348	(294)	42,854
Total net assets	<u>\$ 180,083</u>	<u>\$ 8,348</u>	<u>\$ (294)</u>	<u>\$ 188,137</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 435,587	\$ 65,942	\$ 37,598	\$ 539,127
Operating expenses:				
Support services:				
Administration services	21,201	-	-	21,201
Non-instructional programs	591,017	85,054	40,500	716,571
	<u>612,218</u>	<u>85,054</u>	<u>40,500</u>	<u>737,772</u>
Operating loss	(176,631)	(19,112)	(2,902)	(198,645)
Non-operating revenues:				
Interest on investments	-	271	-	271
Capital contributions	10,289	-	-	10,289
State sources	5,337	-	-	5,337
Federal sources	152,203	-	-	152,203
Total non-operating revenues	<u>167,829</u>	<u>271</u>	<u>-</u>	<u>168,100</u>
Changes in net assets	(8,802)	(18,841)	(2,902)	(30,545)
Net assets beginning of year	<u>188,885</u>	<u>27,189</u>	<u>2,608</u>	<u>218,682</u>
Net assets end of year	<u>\$ 180,083</u>	<u>\$ 8,348</u>	<u>\$ (294)</u>	<u>\$ 188,137</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2010

	School Nutrition	Daycare	Summer Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 434,819	\$ -	\$ -	\$ 434,819
Cash received from miscellaneous operating activities	1,632	65,942	46,763	114,337
Cash payments to employees for services	(195,548)	(66,468)	(32,965)	(294,981)
Cash payments to suppliers for goods or services	(359,146)	(20,719)	(6,897)	(386,762)
Net cash provided by (used by) operating activities	<u>(118,243)</u>	<u>(21,245)</u>	<u>6,901</u>	<u>(132,587)</u>
Cash flows from non-capital financing activities:				
State grants received	5,337	-	-	5,337
Federal grants received	136,953	-	-	136,953
Net cash provided by non-capital financing activities	<u>142,290</u>	<u>-</u>	<u>-</u>	<u>142,290</u>
Cash flows from investing activities:				
Interest on investments	-	271	-	271
Net increase (decrease) in cash and cash equivalents	24,047	(20,974)	6,901	9,974
Cash and cash equivalents beginning of year	<u>41,204</u>	<u>30,131</u>	<u>1,930</u>	<u>73,265</u>
Cash and cash equivalents end of year	<u>\$ 65,251</u>	<u>\$ 9,157</u>	<u>\$ 8,831</u>	<u>\$ 83,239</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (176,631)	\$ (19,112)	\$ (2,902)	\$ (198,645)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
Depreciation	18,125	-	-	18,125
Commodities used	15,250	-	-	15,250
Decrease in due from other governments	-	-	9,165	9,165
Decrease in inventories	1,968	-	-	1,968
Increase (decrease) in accounts payable	1,238	(547)	(120)	571
Increase (decrease) in salaries and benefits payable	-	(1,586)	758	(828)
Increase in interfund payable	20,943	-	-	20,943
Increase in deferred revenue	864	-	-	864
Net cash provided by (used by) operating activities	<u>\$ (118,243)</u>	<u>\$ (21,245)</u>	<u>\$ 6,901</u>	<u>\$ (132,587)</u>

Non-cash investing, capital and financing activities:

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

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District:				
Interest on Checking	\$ -	\$ 70	\$ 70	\$ -
High School:				
Drama & Speech	-	2,136	2,136	-
Vocal	-	931	823	108
Band	-	1,606	1,199	407
Fine Arts	712	13,037	10,382	3,367
Miscellaneous Athletics	-	5,301	5,301	-
Cross Country Co-Ed	-	2,187	2,187	-
Tennis Co-Ed	-	604	604	-
Boys Basketball	-	5,060	5,060	-
Boys Football	(765)	21,701	17,348	3,588
Boys Soccer	(11)	2,391	2,380	-
Boys Baseball	(771)	11,066	10,295	-
Boys Track	-	5,723	5,723	-
Boys Golf	(257)	1,461	1,204	-
Boys Wrestling	-	7,815	7,815	-
Girls Basketball	-	18,094	18,094	-
Girls Volleyball	-	12,532	12,382	150
Girls Soccer	(6)	2,398	2,392	-
Girls Softball	(2,038)	15,898	13,860	-
Girls Track	-	4,949	4,949	-
Pop & Juice	-	4,607	4,607	-
Art	329	3,740	2,286	1,783
Building Construction	(918)	6,644	5,726	-
Class Pictures	45	514	559	-
Strings	-	1,173	860	313
Uniform/Robe Rental	-	1,000	1,000	-
Electric Vehicle Team	453	8,910	9,039	324
Academic Decathlon	-	100	-	100
Student Council	-	1,310	960	350
Chess Club	351	-	-	351
Yearbook	9,951	19,154	20,058	9,047
Class of 2009	-	254	254	-
Class of 2010	426	-	-	426
Class of 2011	1,534	2,132	3,421	245
Class of 2012	-	1,500	-	1,500
Cheerleading	-	4,264	1,047	3,217
Musical	-	5,014	5,014	-
Fall Play	511	1,527	1,089	949
Dance Group	2,078	6,463	7,407	1,134

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Athletic Resale	\$ -	\$ 491	\$ 491	\$ -
Robotics	1,614	9,109	6,623	4,100
Cyber Defense Club	-	350	113	237
Garden Club	180	-	152	28
Archery Club	-	3,827	3,827	-
Student Council Project	902	1,849	2,750	1
Scholarship Fund	-	2,647	2,200	447
German Trip	240	-	-	240
Spanish Trip	774	10,421	10,428	767
Library	985	663	-	1,648
Entrepreneur Class	-	100	100	-
Band Trip	-	238	-	238
Middle School:				
Band	-	769	769	-
Cross Country	-	456	456	-
Boys Basketball	-	1,711	1,711	-
Boys Football	-	1,281	1,281	-
Boys Track	-	1,560	1,560	-
Boys Wrestling	-	6,570	6,570	-
Girls Basketball	-	1,419	1,419	-
Girls Volleyball	-	1,383	1,383	-
Girls Softball	(144)	461	317	-
Girls Track	-	1,418	1,418	-
Office Resale	481	-	38	443
Class Pictures	-	5,437	4,669	768
8th Grade Musical	1,422	476	703	1,195
Strings	-	20	-	20
Student Council	1,378	1,587	2,965	-
Yearbook	4,048	4,780	4,073	4,755
Science Olympiad	651	4,452	3,824	1,279
Canstruction	1,135	4,215	3,086	2,264
Special Fees	5,443	4,230	9,234	439
Field Trips	-	22,527	20,183	2,344
Birthday Books	-	5,338	5,338	-

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary:				
Class Pictures	\$ 8,332	\$ 3,844	\$ 295	\$ 11,881
Strings	-	792	339	453
We Tap	-	4,299	4,299	-
Field Trips	-	1,480	868	612
Birthday Books	489	413	638	264
 Total	 \$ 39,554	 \$ 313,879	 \$ 291,651	 \$ 61,782

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, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 21,065	\$ 72,714	\$ 67,739	\$ 26,040
Accounts receivable	-	320	-	320
Total assets	\$ 21,065	\$ 73,034	\$ 67,739	\$ 26,360
Liabilities				
Accounts payable	\$ 113	\$ 899	\$ 113	\$ 899
Other payables	20,952	72,135	67,626	25,461
Total liabilities	\$ 21,065	\$ 73,034	\$ 67,739	\$ 26,360

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 SIX YEARS

	Modified Accrual Basis Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 4,917,569	\$ 4,596,588	\$ 4,585,983	\$ 3,434,909
Tuition	1,441,273	1,470,733	1,400,687	1,306,157
Other	503,031	575,068	595,915	909,387
State sources	4,934,704	5,701,845	5,292,122	4,793,250
Federal sources	1,120,415	562,174	432,670	261,517
Total revenues	\$ 12,916,992	\$ 12,906,408	\$ 12,307,377	\$ 10,705,220
Expenditures:				
Instruction	\$ 7,083,873	\$ 7,057,764	\$ 6,433,667	\$ 6,677,440
Support services:				
Student services	660,786	502,479	407,570	193,632
Instructional staff services	601,292	493,556	434,847	276,986
Administration services	1,459,404	1,353,748	1,138,812	1,110,943
Operation and maintenance of plant services	751,148	925,912	892,467	829,924
Transportation services	300,164	404,933	402,906	401,843
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	786,461	1,802,268	1,238,509	1,536,328
Long-term debt:				
Principal	1,040,000	630,000	600,000	555,000
Interest and fiscal charges	676,513	447,423	449,826	447,438
AEA flowthrough	408,485	372,851	346,567	314,749
Total expenditures	\$ 13,768,126	\$ 13,990,934	\$ 12,345,171	\$ 12,344,283

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 3,230,451	\$ 3,048,884
1,203,706	1,228,175
879,232	556,514
4,519,836	4,496,276
550,467	146,445
<u>\$ 10,383,692</u>	<u>\$ 9,476,294</u>
\$ 6,044,316	\$ 5,439,988
187,837	196,895
260,544	387,478
1,002,951	780,717
847,901	830,463
335,563	312,541
-	716
9,250,683	1,816,041
375,000	510,000
387,031	405,920
290,296	288,897
<u>\$ 18,982,122</u>	<u>\$ 10,969,656</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 10	\$ <u>341,698</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs: School Breakfast Program	10.553	FY 10	17,945
National School Lunch Program	10.555	FY 10	119,008
National School Lunch Program (non-cash)	10.555	FY 10	<u>15,250</u>
			<u>152,203</u>
U. S. Department of Education: Iowa Department of Education: Title I, Part A Cluster Programs: Title I Grants to Local Educational Agencies	84.010	4554SINA	13,887
Title I Grants to Local Educational Agencies	84.010	4554G	46,346
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	5,114
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>10,228</u>
			<u>75,575</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>2,052</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>21,551</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>8,125</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>468,245</u>
Grant Wood Area Education Agency: Special Education Cluster Programs: Special Education - Grants to States	84.027	FY 10	52,012
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	28,444
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>113,777</u>
			<u>194,233</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>6,093</u>
Total			\$ <u><u>1,269,775</u></u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mount Vernon Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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 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 as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Vernon Community School District's internal control over financial reporting as a basis for designing our auditing procedures 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

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 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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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 certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Mount Vernon Community School District's operations for the year ended June 30, 2010 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 identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mount Vernon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Vernon Community School District and other parties to whom Mount Vernon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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
December 8, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Mount Vernon Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Mount Vernon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mount Vernon Community School District's management. Our responsibility is to express an opinion on Mount Vernon Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Vernon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mount Vernon Community School District's compliance with those requirements.

In our opinion, Mount Vernon Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Mount Vernon Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Mount Vernon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or 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. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Mount Vernon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mount Vernon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Vernon Community School District and other parties to whom Mount Vernon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
December 8, 2010

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mount Vernon Community School District qualified as a low-risk auditee.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliation, posting of the cash receipts journal, check signing, payroll and payroll reports are all done by the same person in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have implemented changes for fiscal year 2011 which will correct this.

Conclusion – Response accepted.

II-B-10 Board Approval – We noted that the Board did not approve two labor contracts and three secretaries' additional pay increases that were authorized by the former Superintendent.

Recommendation – All contracts and pay rates should be approved by the Board.

Response – We will make sure the Board approves all contracts and pay rates from now on.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education – Grants to States and
CFDA Number 84.391: ARRA – Special Education – Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, posting of the cash receipts journal, check signing, and payroll are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have implemented changes for fiscal year 2011 which will correct this.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-10 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.
- IV-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott White, Teacher Owner of White’s Woods	Cabinets	\$5,999

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest.

- IV-E-10 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 insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 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.
- IV-J-10 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.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of 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 and services tax. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$	950,483
Statewide sales and services tax revenue		1,104,459
Expenditures/transfers out:		
None		-
Ending balance	\$	2,054,942

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ 5.19197	\$	1,104,459

IV-M-10 Student Activity Accounts – The District included accounts in the Special Revenue, Student Activity Fund which include activities that would more appropriately be accounted for in the General, Private Purpose Trust, Agency or Enterprise Fund.

The Iowa Department of Education’s LEA Uniform Administrative Procedures Manual Chapter 9, pages 15 and 17, states “The Student Activity Fund shall not be used as a clearing account for the General Fund or any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extra-curricular activities offered as a part of the education program for the students.”

Recommendation – The accounts should be closed to the General, Private Purpose Trust, Agency or Enterprise Fund where applicable. The District should limit the use of the Student Activity Fund to transactions related to co-curricular and extra-curricular activities.

Response – We will consider closing these accounts to the General, Private Purpose Trust, Agency or Enterprise Fund as appropriate.

Conclusion – Response accepted.