

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
MOUNT VERNON, IOWA

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

JUNE 30, 2007

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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 2006 Election)		
Thomas Wieseler	President	2007
Todd Tripp	Vice President	2006
Eldean Borg	Board Member	2007
Ann Stoner	Board Member	2008
Bob Penn	Board Member	2008
Janet Griffith	Board Member	2007
Carol Dillard	Board Member	(Appointed 6-12-06) 2006

Board of Education

(After September 2006 Election)

Thomas Wieseler	President	2007
Janet Griffith	Vice President	2007
Eldean Borg	Board Member	2007
Ann Stoner	Board Member	2008
Bob Penn	Board Member	2008
John Cochrane	Board Member	2009
Paul Morf	Board Member	2009

School Officials

Jeff Schwiebert	Superintendent	2007
Matt Burke	District Secretary/Treasurer	2007
Guy Booth	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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2007 on our consideration of Mount Vernon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 50 through 51 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 three years ended June 30, 2006 (none of which are presented herein). For the years ended June 30, 2006 and June 30, 2004, 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 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 30, 2007

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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,130,151 in fiscal 2006 to \$8,785,830 in fiscal 2007, while General Fund expenditures increased from \$8,654,844 in fiscal 2006 to \$9,334,500 in fiscal 2007. The District's General Fund balance decreased from \$838,653 in fiscal 2006 to \$223,894 in fiscal 2007, a 73% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in property taxes and state aid related to an increase in enrollment. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and the purchase of furniture and equipment related to the construction of a new high school building.

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.

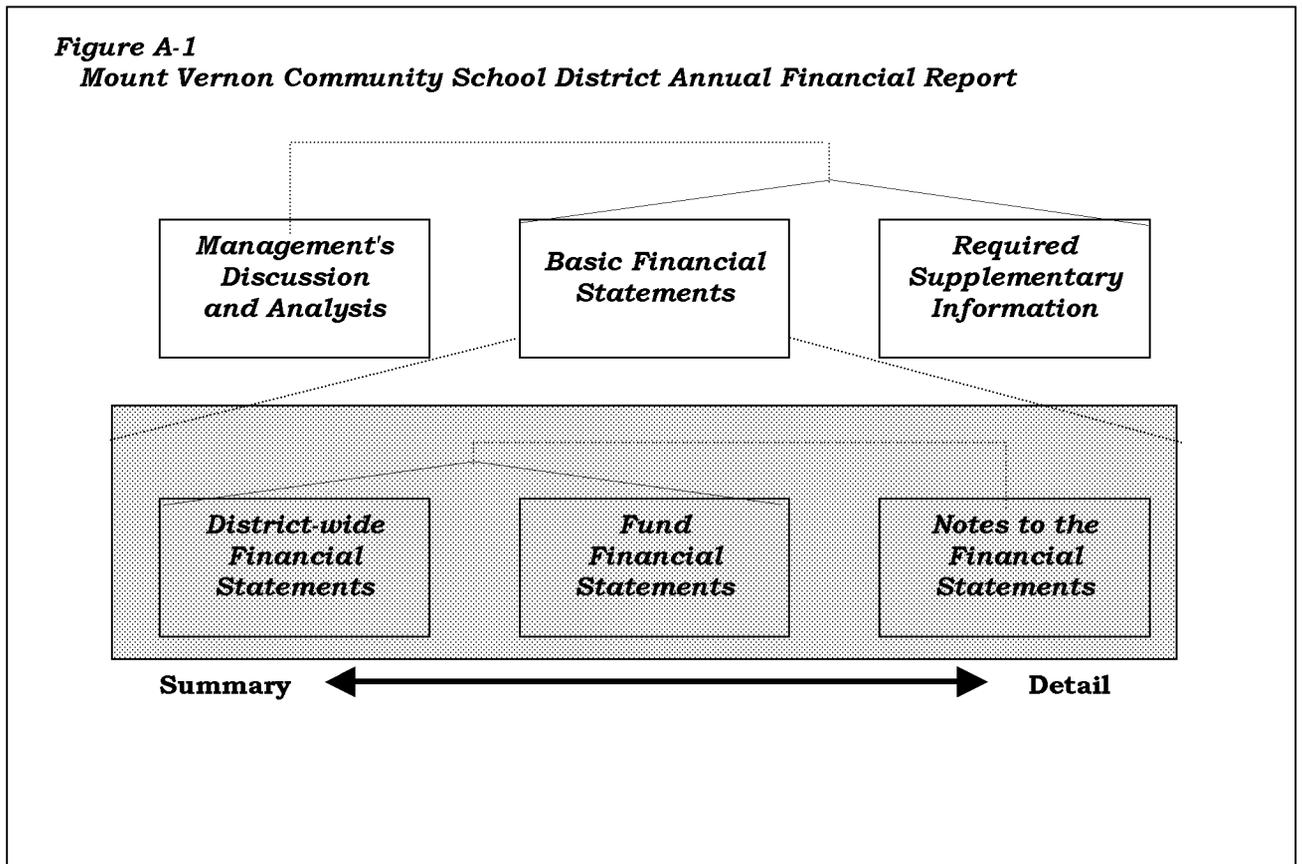


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2007 as compared to June 30, 2006.

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,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$5,688	\$7,266	\$121	\$106	\$5,809	\$7,372	\$(1,563)
Capital assets	15,996	14,294	188	149	16,184	14,443	1,741
Total assets	21,684	21,560	309	255	21,993	21,815	178
Long-term liabilities	9,465	10,020	-	-	9,465	10,020	(555)
Other liabilities	4,681	4,637	16	15	4,697	4,652	45
Total liabilities	14,146	14,657	16	15	14,162	14,672	(510)
Net assets:							
Invested in capital assets,							
Net of related debt	6,530	4,728	188	149	6,718	4,877	1,841
Restricted	522	1,087	-	-	522	1,087	(565)
Unrestricted	486	1,088	105	91	591	1,179	(588)
Total net assets	7,538	6,903	293	240	7,831	7,143	688

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, 2007 as compared to June 30, 2006.

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2006-2007
Revenues:							
Program revenues:							
Charges for service	\$1,804	1,439	\$471	\$440	2,275	\$1,879	21.1%
Operating grants, contributions and restricted interest	874	774	160	160	1,034	934	10.7 %
Capital grants, contributions and restricted interest	365	772	51	142	416	914	(54.5)%
General revenues:							
Property tax	3,150	2,945	-	-	3,150	2,945	7.0%
Local option sales and service tax	7	8	-	-	7	8	(12.5)%
Unrestricted state grants	4,048	3,894	-	-	4,048	3,894	4.0%
Unrestricted investment earnings	133	214	7	6	140	220	(36.4)%
Other	326	383	-	-	326	383	(14.9)%
Total revenues	10,707	10,429	689	748	11,396	11,177	2.0%
Program expenses:							
Governmental activities:							
Instruction	6,368	5,870	-	-	6,368	5,870	8.5%
Support services	2,777	2,581	-	-	2,777	2,581	7.6%
Non-instructional programs	-	-	629	569	629	569	10.0%
Other expenses	927	858	6	10	933	868	7.5%
Total expenses	10,072	9,309	635	579	10,707	9,888	8.3%
Change in net assets	\$635	1,120	54	\$169	689	\$1,289	(46.5)%

Property tax and unrestricted state grants account for 67% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total governmental activities expenses.

Overall net assets increased approximately \$689,000 for the current year.

Governmental Activities

Revenues for governmental activities were \$10,706,667 and expenses were \$10,071,695.

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>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Instruction	\$5,870	6,368	3,999	4,121
Support services	2,581	2,777	2,529	2,661
Non-instructional programs	-	-	-	-
Other expenses	858	927	(203)	247
Totals	\$9,309	10,072	6,325	7,029

The cost financed by users of the District's programs was \$1,804,204.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$873,888.
- The net cost of governmental activities was financed with \$3,438,142 in property and other taxes and \$4,048,006 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$688,236 and expenses were \$634,998. 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, 2007, the School Board approved an increase in meal prices for the 2006-2007 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 \$762,176 as compared to last year's ending fund balances of \$2,401,187. The primary reason for the decrease was the construction costs for the

new high school building in the Physical Plant and Equipment Levy Fund and the purchase of furniture and equipment for the new high school building in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position declined in fiscal 2007 as compared to the previous fiscal year. General fund expenditures increased compared to the previous fiscal year related to the additional costs to operate and equip the new high school building.
- General Fund revenues increased from \$8,130,151 in fiscal 2006 to \$8,785,830 in fiscal 2007 while General Fund expenditures increased from \$8,654,844 in fiscal 2006 to \$9,334,500 in fiscal 2007. The District's General Fund balance decreased from \$838,653 in fiscal 2006 to \$223,894 in fiscal 2007, a 73% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in property taxes and state foundation aid revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in costs to operate and equip the new high school building.
- The decrease in the Physical Plant and Equipment Levy Fund unreserved fund balance from \$1,403,566 in fiscal 2006 to \$374,550 in fiscal 2007 was primarily attributable to the construction costs for the new high school building.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$189,683 at June 30, 2006 to \$224,948 at June 30, 2007 primarily due to the capital contribution of new kitchen equipment related to the high school construction project. During fiscal 2007 the district increased the prices of school lunches to offset the increasing costs of food purchased by the Nutrition Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mount Vernon Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the nutrition program and changes in purchased services. No functional budget areas were exceeded at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$16.2 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 6 to the financial statements. Depreciation expense for the year was \$355,665.

The original cost of the District's capital assets was \$20.1 million primarily in the governmental funds. The District's construction in progress totaled \$12,552,775 at June 30, 2007 which represents the construction of the new high school building and the remodeling of the middle school building.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
Land	\$298	298	-	-	298	298	-
Construction in progress	12,553	11,016	-	-	12,553	11,016	1,537
Buildings	2,341	2,424	-	-	2,341	2,424	(83)
Improvements other than buildings	192	203	-	-	192	203	(11)
Furniture and equipment	611	353	188	149	799	502	297
Totals	15,995	14,294	188	149	16,183	14,443	1,740

Long-Term Debt

At June 30, 2007, the District had \$9,465,000 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 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

(Expressed in Thousands)

	Total District June 30,		Total Change June 30,
	<u>2007</u>	<u>2006</u>	<u>2006-2007</u>
General obligation bonds	\$7,995	8,310	(315)
Energy Loan Notes	535	575	(40)
Capital Loan Notes	935	1,135	(200)
Totals	9,465	10,020	(555)

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:

- Voters approved the local option tax for school infrastructure in Linn County and the district will begin receiving receipts from this funding source within the 2007-2008 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,314,537	\$ 107,075	\$ 1,421,612
Receivables:			
Property tax:			
Current year	40,468	-	40,468
Succeeding year	2,810,000	-	2,810,000
Income surtax	279,761	-	279,761
Accounts	7,193	6,923	14,116
Due from other governments	238,454	4,582	243,036
Inventories	-	2,303	2,303
Restricted ISCAP assets (note 5):			
Investments	992,429	-	992,429
Accrued interest receivable	5,816	-	5,816
Capital assets, net of accumulated depreciation (note 6)	15,995,418	188,338	16,183,756
Total assets	21,684,076	309,221	21,993,297
Liabilities			
Accounts payable	163,854	452	164,306
Salaries and benefits payable	671,248	6,772	678,020
Accrued interest payable	34,193	-	34,193
ISCAP warrants payable (note 5)	994,000	-	994,000
ISCAP accrued interest payable (note 5)	244	-	244
ISCAP unamortized premium (note 5)	7,375	-	7,375
Deferred revenue:			
Succeeding year property tax	2,810,000	-	2,810,000
Other	-	8,778	8,778
Long-term liabilities (note 7):			
Portion due within one year:			
Bonds payable	330,000	-	330,000
Notes payable	270,000	-	270,000
Portion due after one year:			
Bonds payable	7,665,000	-	7,665,000
Notes payable	1,200,000	-	1,200,000
Total liabilities	14,145,914	16,002	14,161,916

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<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	\$ 6,530,418	\$ 188,338	\$ 6,718,756
Restricted for:			
Management levy	80,583	-	80,583
Physical plant and equipment levy	371,919	-	371,919
Other special revenue purposes	56,159	-	56,159
Capital projects	5,275	-	5,275
State grants	7,607	-	7,607
Unrestricted	<u>486,201</u>	<u>104,881</u>	<u>591,082</u>
Total net assets	<u>\$ 7,538,162</u>	<u>\$ 293,219</u>	<u>\$ 7,831,381</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction	\$ 6,367,897	\$ 1,761,138	\$ 485,872	\$ -
Support services:				
Student services	195,343	-	51,732	-
Instructional staff services	276,986	-	19,436	-
Administration services	1,110,943	10,514	-	-
Operation and maintenance of plant services	817,472	12,575	-	-
Transportation services	376,013	19,977	2,099	-
	<u>2,776,757</u>	<u>43,066</u>	<u>73,267</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	364,897
Long-term debt interest and fiscal charges	430,859	-	-	-
AEA flowthrough	314,749	-	314,749	-
Depreciation (unallocated) *	181,433	-	-	-
	<u>927,041</u>	<u>-</u>	<u>314,749</u>	<u>364,897</u>
Total governmental activities	<u>10,071,695</u>	<u>1,804,204</u>	<u>873,888</u>	<u>364,897</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,120,887)	\$ -	\$ (4,120,887)
(143,611)	-	(143,611)
(257,550)	-	(257,550)
(1,100,429)	-	(1,100,429)
(804,897)	-	(804,897)
(353,937)	-	(353,937)
(2,660,424)	-	(2,660,424)
364,897	-	364,897
(430,859)	-	(430,859)
-	-	-
(181,433)	-	(181,433)
(247,395)	-	(247,395)
(7,028,706)	-	(7,028,706)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Administration services	\$ 5,805	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	559,321	386,600	160,037	50,713
Daycare operations	43,441	58,031	-	-
Summer daycare operations	26,431	26,161	-	-
	<u>629,193</u>	<u>470,792</u>	<u>160,037</u>	<u>50,713</u>
Total business-type activities	<u>634,998</u>	<u>470,792</u>	<u>160,037</u>	<u>50,713</u>
Total	<u>\$ 10,706,693</u>	<u>\$ 2,274,996</u>	<u>\$ 1,033,925</u>	<u>\$ 415,610</u>

General Revenues:

Property tax levied for:

 General purposes
 Debt service
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

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
\$ -	\$ (5,805)	\$ (5,805)
-	38,029	38,029
-	14,590	14,590
-	(270)	(270)
-	52,349	52,349
-	46,544	46,544
(7,028,706)	46,544	(6,982,162)
\$ 2,141,913	\$ -	\$ 2,141,913
691,542	-	691,542
316,519	-	316,519
281,461	-	281,461
6,707	-	6,707
4,048,006	-	4,048,006
133,448	6,694	140,142
44,082	-	44,082
7,663,678	6,694	7,670,372
634,972	53,238	688,210
6,903,190	239,981	7,143,171
\$ 7,538,162	\$ 293,219	\$ 7,831,381

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 719,547	\$ 439,521	\$ 12,478	\$ 142,991	\$ 1,314,537
Receivables:					
Property tax:					
Current year	25,560	4,227	9,237	1,444	40,468
Succeeding year	1,870,000	276,000	578,000	86,000	2,810,000
Income surtax	279,761	-	-	-	279,761
Accounts	7,193	-	-	-	7,193
Due from other governments	238,454	-	-	-	238,454
Restricted ISCAP assets (note 5):					
Investments	992,429	-	-	-	992,429
Accrued interest receivable	5,816	-	-	-	5,816
 Total assets	 <u>\$ 4,138,760</u>	 <u>\$ 719,748</u>	 <u>\$ 599,715</u>	 <u>\$ 230,435</u>	 <u>\$ 5,688,658</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 92,238	\$ 69,198	\$ -	\$ 2,418	\$ 163,854
Salaries and benefits payable	671,248	-	-	-	671,248
ISCAP warrants payable (note 5)	994,000	-	-	-	994,000
ISCAP accrued interest payable (note 5)	244	-	-	-	244
ISCAP unamortized premium (note 5)	7,375	-	-	-	7,375
Deferred revenue:					
Succeeding year property tax	1,870,000	276,000	578,000	86,000	2,810,000
Other	279,761	-	-	-	279,761
Total liabilities	<u>3,914,866</u>	<u>345,198</u>	<u>578,000</u>	<u>88,418</u>	<u>4,926,482</u>
Fund balance:					
Reserved for:					
State grants	7,607	-	-	-	7,607
Debt service	-	-	21,715	-	21,715
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	136,742	136,742
Undesignated	216,287	374,550	-	5,275	596,112
Total fund balances	<u>223,894</u>	<u>374,550</u>	<u>21,715</u>	<u>142,017</u>	<u>762,176</u>
Total liabilities and fund balances	<u>\$ 4,138,760</u>	<u>\$ 719,748</u>	<u>\$ 599,715</u>	<u>\$ 230,435</u>	<u>\$ 5,688,658</u>

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, 2007

Total fund balances of governmental funds	\$ 762,176
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.	15,995,418
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	279,761
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.	(34,193)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,465,000)</u>
Net assets of governmental activities	<u>\$ 7,538,162</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, 2007

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,306,241	\$ 316,347	\$ 691,169	\$ 121,152	\$ 3,434,909
Tuition	1,306,157	-	-	-	1,306,157
Other	244,279	300,403	9,747	354,958	909,387
State sources	4,792,636	172	373	69	4,793,250
Federal sources	136,517	125,000	-	-	261,517
Total revenues	<u>8,785,830</u>	<u>741,922</u>	<u>701,289</u>	<u>476,179</u>	<u>10,705,220</u>
Expenditures:					
Current:					
Instruction	6,338,496	-	-	338,944	6,677,440
Support services:					
Student services	193,632	-	-	-	193,632
Instructional staff services	276,986	-	-	-	276,986
Administration services	1,000,709	-	-	110,234	1,110,943
Operation and maintenance of plant services	808,085	21,839	-	-	829,924
Transportation services	401,843	-	-	-	401,843
	<u>2,681,255</u>	<u>21,839</u>	<u>-</u>	<u>110,234</u>	<u>2,813,328</u>
Other expenditures:					
Facilities acquisition	-	1,501,502	-	34,826	1,536,328
Long term debt:					
Principal	-	-	555,000	-	555,000
Interest and fiscal charges	-	-	447,438	-	447,438
AEA flowthrough	314,749	-	-	-	314,749
	<u>314,749</u>	<u>1,501,502</u>	<u>1,002,438</u>	<u>34,826</u>	<u>2,853,515</u>
Total expenditures	<u>9,334,500</u>	<u>1,523,341</u>	<u>1,002,438</u>	<u>484,004</u>	<u>12,344,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(548,670)</u>	<u>(781,419)</u>	<u>(301,149)</u>	<u>(7,825)</u>	<u>(1,639,063)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Special Revenue <u>Physical Plant and Equipment Levy</u>	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Sale of equipment	\$ 52	\$ -	\$ -	\$ -	52
Interfund transfers in	-	-	313,738	-	313,738
Interfund transfers out	(66,141)	(247,597)	-	-	(313,738)
Total other financing sources (uses)	(66,089)	(247,597)	313,738	-	52
Net change in fund balances	(614,759)	(1,029,016)	12,589	(7,825)	(1,639,011)
Fund balances beginning of year	838,653	1,403,566	9,126	149,842	2,401,187
Fund balances end of year	\$ 223,894	\$ 374,550	\$ 21,715	\$ 142,017	\$ 762,176

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, 2007

Net change in fund balances - total governmental funds \$ (1,639,011)

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 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	\$ 2,036,858	
Depreciation expense	<u>(335,849)</u>	1,701,009

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 1,395

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 555,000

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. 16,579

Change in net assets of governmental activities \$ 634,972

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	School Nutrition	Nonmajor Enterprise Funds	Total
Assets			
Cash and cash equivalents	\$ 38,503	\$ 68,572	\$ 107,075
Interfund receivable (note 4)	-	3,305	3,305
Accounts receivable	-	6,923	6,923
Due from other governments	4,582	-	4,582
Inventories	2,303	-	2,303
Capital assets, net of accumulated depreciation	188,338	-	188,338
Total assets	<u>233,726</u>	<u>78,800</u>	<u>312,526</u>
Liabilities			
Accounts payable	-	452	452
Salaries and benefits payable	-	6,772	6,772
Interfund payable (note 4)	-	3,305	3,305
Deferred revenue	8,778	-	8,778
Total liabilities	<u>8,778</u>	<u>10,529</u>	<u>19,307</u>
Net Assets			
Invested in capital assets	188,338	-	188,338
Unrestricted	<u>36,610</u>	<u>68,271</u>	<u>104,881</u>
Total net assets	<u>\$ 224,948</u>	<u>\$ 68,271</u>	<u>\$ 293,219</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, 2007

	School Nutrition	Nonmajor Enterprise Funds	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 386,600	\$ 84,192	\$ 470,792
Operating expenses:			
Support services:			
Administration services	5,805	-	5,805
Non-instructional programs	559,321	69,872	629,193
	<u>565,126</u>	<u>69,872</u>	<u>634,998</u>
Operating income (loss)	<u>(178,526)</u>	<u>14,320</u>	<u>(164,206)</u>
Non-operating revenues:			
Interest on investments	3,041	3,653	6,694
Capital contributions	50,713	-	50,713
State sources	5,582	-	5,582
Federal sources	154,455	-	154,455
Total non-operating revenues	<u>213,791</u>	<u>3,653</u>	<u>217,444</u>
Change in net assets	35,265	17,973	53,238
Net assets beginning of year	<u>189,683</u>	<u>50,298</u>	<u>239,981</u>
Net assets end of year	<u>\$ 224,948</u>	<u>\$ 68,271</u>	<u>\$ 293,219</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	School Nutrition	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 384,012	\$ -	\$ 384,012
Cash received from miscellaneous operating activities	2,555	77,269	79,824
Cash payments to employees for services	(197,892)	(54,057)	(251,949)
Cash payments to suppliers for goods or services	(338,247)	(14,940)	(353,187)
Net cash provided by (used by) operating activities	<u>(149,572)</u>	<u>8,272</u>	<u>(141,300)</u>
Cash flows from non-capital financing activities:			
State grants received	5,582	-	5,582
Federal grants received	139,911	-	139,911
Net cash provided by non-capital financing activities	<u>145,493</u>	<u>-</u>	<u>145,493</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(8,485)</u>	<u>-</u>	<u>(8,485)</u>
Cash flows from investing activities:			
Interest on investments	<u>3,041</u>	<u>3,653</u>	<u>6,694</u>
Net increase (decrease) in cash and cash equivalents	(9,523)	11,925	2,402
Cash and cash equivalents beginning of year	<u>48,026</u>	<u>56,647</u>	<u>104,673</u>
Cash and cash equivalents end of year	<u>\$ 38,503</u>	<u>\$ 68,572</u>	<u>\$ 107,075</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>School Nutrition</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (178,526)	\$ 14,320	\$ (164,206)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	19,816	-	19,816
Commodities used	9,962	-	9,962
(Increase) in accounts receivable	-	(6,923)	(6,923)
(Increase) in inventories	(653)	-	(653)
Increase in accounts payable	-	55	55
Increase in salaries and benefits payable	(138)	820	682
(Decrease) in deferred revenue	(33)	-	(33)
Net cash provided by (used by) operating activities	<u>\$ (149,572)</u>	<u>\$ 8,272</u>	<u>\$ (141,300)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$9,962 of federal commodities and \$50,713 of capital contributions in the School Nutrition Fund.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2007

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>881</u>	\$ <u>2,017</u>
Liabilities:		
Other payables	<u>-</u>	<u>2,017</u>
Net assets:		
Reserved for scholarships	\$ <u><u>881</u></u>	\$ <u><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, 2007

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	1,000
Interest		<u>15</u>
Total additions		<u>1,015</u>
Deductions:		
Support services:		
Scholarships awarded		<u>1,000</u>
Change in net assets		15
Net assets beginning of year		<u>866</u>
Net assets end of year	\$	<u><u>881</u></u>
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Vernon, Iowa, and agricultural territories 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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 other 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 that are 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 Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net 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, 2007

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.

All 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, 2007

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2007 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, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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
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.

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 the succeeding year property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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 had no compensated absences liability at June 30, 2007.

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.

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.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Plus Portfolio	\$ <u>834,177</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, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 66,141
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>247,597</u>
Total		<u>\$ 313,738</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

At June 30, 2007 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Pooled cash balances:		
Enterprise - Daycare	Enterprise - Summer Daycare	\$ <u>3,305</u>

To the extent that cash expenditures have been made in one fund legally restricted to make those expenditures prior to the collection of anticipated revenues, the District has temporary financing between funds. These balances are not included on the District-wide Statement of Net Assets.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2006-07A	6/28/2006	6/28/2007	\$ -	\$ 5,519	\$ -	\$ -	-
2007-08A	6/27/2007	6/27/2008	992,429	297	994,000	244	7,375
Total			\$ 992,429	\$ 5,816	\$ 994,000	\$ 244	\$ 7,375

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	\$ 524,000	\$ 524,000	\$ -

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.50%	5.676%
2007-08A	4.50%	5.455%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2007 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	\$ 298,137	\$ -	\$ -	\$ 298,137
Construction in progress	11,016,447	1,536,328	-	12,552,775
Total capital assets not being depreciated	<u>11,314,584</u>	<u>1,536,328</u>	<u>-</u>	<u>12,850,912</u>
Capital assets being depreciated:				
Buildings	4,633,564	-	-	4,633,564
Improvements other than buildings	655,546	7,090	-	662,636
Furniture and equipment	1,317,897	493,440	38,500	1,772,837
Total capital assets being depreciated	<u>6,607,007</u>	<u>500,530</u>	<u>38,500</u>	<u>7,069,037</u>
Less accumulated depreciation for:				
Buildings	2,209,604	82,599	-	2,292,203
Improvements other than buildings	452,394	17,885	-	470,279
Furniture and equipment	965,184	235,365	38,500	1,162,049
Total accumulated depreciation	<u>3,627,182</u>	<u>335,849</u>	<u>38,500</u>	<u>3,924,531</u>
Total capital assets being depreciated, net	<u>2,979,825</u>	<u>164,681</u>	<u>-</u>	<u>3,144,506</u>
Governmental activities capital assets, net	<u>\$ 14,294,409</u>	<u>\$ 1,701,009</u>	<u>\$ -</u>	<u>\$ 15,995,418</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 167,848	\$ 59,198	\$ -	\$ 227,046
Less accumulated depreciation	18,892	19,816	-	38,708
Business-type activities capital assets, net	<u>\$ 148,956</u>	<u>\$ 39,382</u>	<u>\$ -</u>	<u>\$ 188,338</u>

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

Governmental activities:	
Instruction	\$ 106,067
Support services:	
Student services	1,711
Operation and maintenance of plant services	9,387
Transportation	<u>37,251</u>
	154,416
Unallocated depreciation	<u>181,433</u>
Total governmental activities depreciation expense	<u>\$ 335,849</u>
Business-type activities:	
Food service operations	<u>\$ 19,816</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Bonds	Energy Loan Notes	Capital Loan Notes	Total
Balance beginning of year	\$ 8,310,000	\$ 575,000	\$ 1,135,000	\$ 10,020,000
Additions	-	-	-	-
Reductions	315,000	40,000	200,000	555,000
Balance end of year	<u>\$ 7,995,000</u>	<u>\$ 535,000</u>	<u>\$ 935,000</u>	<u>\$ 9,465,000</u>
Due within one year	<u>\$ 330,000</u>	<u>\$ 50,000</u>	<u>\$ 220,000</u>	<u>\$ 600,000</u>

Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.50 %	\$ 330,000	\$ 359,126	\$ 689,126
2009	4.50	345,000	344,276	689,276
2010	4.50	360,000	328,750	688,750
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
		<u>\$ 7,995,000</u>	<u>\$ 3,621,110</u>	<u>\$ 11,616,110</u>

During the year ended June 30, 2007, the District retired \$315,000 of bonds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 7. Long-Term Liabilities (continued)

Energy Loan Notes

Details of the District's June 30, 2007 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.30 %	\$ 50,000	\$ 19,613	\$ 69,613
2009	3.40	55,000	17,962	72,962
2010	3.45	55,000	16,093	71,093
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>\$ 535,000</u>	<u>\$ 106,025</u>	<u>\$ 641,025</u>

Capital Loan Notes

Details of the District's June 30, 2007 capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.30 %	\$ 220,000	\$ 31,578	\$ 251,578
2009	3.35	230,000	24,317	254,317
2010	3.40	240,000	16,613	256,613
2011	3.45	245,000	8,452	253,452
		<u>\$ 935,000</u>	<u>\$ 80,960</u>	<u>\$ 1,015,960</u>

Note 8. 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$354,723, \$344,577, and \$322,898, respectively, equal to the required contributions for each year.

Note 9. 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 10. 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 \$314,749 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District entered into various contracts totaling \$12,418,095 for construction of a high school building and remodeling of the middle school building. As of June 30, 2007, costs of \$12,393,258 had been incurred against the contracts. The balance of \$24,837 remaining at June 30, 2007 will be paid as work on the project progresses.

Note 12. Deficit Balance

The Summer Daycare Fund within the nonmajor enterprise funds had a \$3,108 net assets deficit at June 30, 2007.

Required Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 5,650,453	\$ 528,199	\$ 6,178,652	\$ 6,124,860	\$ 6,124,860	\$ 53,792
State sources	4,793,250	5,582	4,798,832	4,872,661	4,872,661	(73,829)
Federal sources	261,517	154,455	415,972	583,656	583,656	(167,684)
Total revenues	10,705,220	688,236	11,393,456	11,581,177	11,581,177	(187,721)
EXPENDITURES:						
Instruction	6,677,440	-	6,677,440	5,858,767	7,032,305	354,865
Support services	2,813,328	5,805	2,819,133	2,670,531	3,073,020	253,887
Non-instructional programs	-	629,193	629,193	597,782	775,910	146,717
Other expenditures	2,853,515	-	2,853,515	4,405,982	4,405,982	1,552,467
Total expenditures	12,344,283	634,998	12,979,281	13,533,062	15,287,217	2,307,936
Excess (deficiency) of revenues over (under) expenditures	(1,639,063)	53,238	(1,585,825)	(1,951,885)	(3,706,040)	2,120,215
Other financing sources, net	52	-	52	-	-	52
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,639,011)	53,238	(1,585,773)	(1,951,885)	(3,706,040)	2,120,267
Balance beginning of year	2,401,187	239,981	2,641,168	2,687,641	2,687,641	(46,473)
Balance end of year	\$ <u>762,176</u>	\$ <u>293,219</u>	\$ <u>1,055,395</u>	\$ <u>735,756</u>	\$ <u>(1,018,399)</u>	\$ <u>2,073,794</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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 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 \$1,754,155.

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Other Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			Total
	Management Levy	Student Activity	Capital Projects	
Assets				
Cash and pooled investments	\$ 79,139	\$ 58,577	\$ 5,275	\$ 142,991
Receivables:				
Property tax:				
Current year	1,444	-	-	1,444
Succeeding year	86,000	-	-	86,000
Total assets	\$ 166,583	\$ 58,577	\$ 5,275	\$ 230,435
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 2,418	\$ -	\$ 2,418
Deferred revenue:				
Succeeding year property tax	86,000	-	-	86,000
Total liabilities	86,000	2,418	-	88,418
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	80,583	56,159	5,275	142,017
Total liabilities and fund equity	\$ 166,583	\$ 58,577	\$ 5,275	\$ 230,435

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, 2007

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Capital Projects</u>	
Revenues:				
Local sources:				
Local tax	\$ 114,445	\$ -	\$ 6,707	\$ 121,152
Other	12,003	342,035	920	354,958
State sources	69	-	-	69
Total revenues	<u>126,517</u>	<u>342,035</u>	<u>7,627</u>	<u>476,179</u>
Expenditures:				
Current:				
Instruction	-	338,944	-	338,944
Support services:				
Administration services	110,234	-	-	110,234
Other expenditures:				
Facilities acquisition	-	-	34,826	34,826
Total expenditures	<u>110,234</u>	<u>338,944</u>	<u>34,826</u>	<u>484,004</u>
Excess (deficiency) of revenues over (under) expenditures	16,283	3,091	(27,199)	(7,825)
Fund balances beginning of year	<u>64,300</u>	<u>53,068</u>	<u>32,474</u>	<u>149,842</u>
Fund balances end of year	<u>\$ 80,583</u>	<u>\$ 56,159</u>	<u>\$ 5,275</u>	<u>\$ 142,017</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2007

	Daycare	Summer Daycare	Total
Assets			
Cash and cash equivalents	\$ 68,572	\$ -	\$ 68,572
Interfund receivable	3,305	-	3,305
Accounts receivable	-	6,923	6,923
Total assets	71,877	6,923	78,800
Liabilities			
Accounts payable	-	452	452
Salaries and benefits payable	498	6,274	6,772
Interfund payable	-	3,305	3,305
Total liabilities	498	10,031	10,529
Net Assets			
Unrestricted	\$ 71,379	\$ (3,108)	\$ 68,271

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, 2007

	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ <u>58,031</u>	\$ <u>26,161</u>	\$ <u>84,192</u>
Operating expenses:			
Non-instructional programs	<u>43,441</u>	<u>26,431</u>	<u>69,872</u>
Operating income (loss)	14,590	(270)	14,320
Non-operating revenues:			
Interest on investments	<u>3,653</u>	-	<u>3,653</u>
Changes in net assets	18,243	(270)	17,973
Net assets beginning of year	<u>53,136</u>	<u>(2,838)</u>	<u>50,298</u>
Net assets end of year	<u>\$ 71,379</u>	<u>\$ (3,108)</u>	<u>\$ 68,271</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2007

	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from miscellaneous operating activities	\$ 58,031	\$ 19,238	\$ 77,269
Cash payments to employees for services	(33,910)	(20,147)	(54,057)
Cash payments to suppliers for goods or services	(9,074)	(5,866)	(14,940)
Net cash provided by (used by) operating activities	<u>15,047</u>	<u>(6,775)</u>	<u>8,272</u>
Cash flows from investing activities:			
Interest on investments	<u>3,653</u>	-	<u>3,653</u>
Net increase (decrease) in cash and cash equivalents	18,700	(6,775)	11,925
Cash and cash equivalents beginning of year	<u>53,177</u>	<u>3,470</u>	<u>56,647</u>
Cash and cash equivalents end of year	<u>\$ 71,877</u>	<u>\$ (3,305)</u>	<u>\$ 68,572</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 14,590	\$ (270)	\$ 14,320
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
(Increase) in accounts receivable	-	(6,923)	(6,923)
Increase in accounts payable	-	55	55
Increase in salaries and benefits payable	457	363	820
Net cash provided by (used by) operating activities	<u>\$ 15,047</u>	<u>\$ (6,775)</u>	<u>\$ 8,272</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Fund/Interest	\$ -	\$ 2,536	\$ 2,536	\$ -
Strings	526	2,636	1,478	1,684
Drama & Speech	47	1,411	1,458	-
Vocal	1,100	2,164	2,673	591
Band High School	368	9,573	9,600	341
Miscellaneous Athletics	-	6,670	6,670	-
Cross Country Co-Ed	-	3,806	3,806	-
Tennis Co-Ed	-	145	145	-
Boys Basketball	677	8,173	8,850	-
Boys Football	1,000	20,791	18,755	3,036
Boys Soccer	996	2,083	2,511	568
Boys Baseball	1,136	7,313	8,449	-
Boys Track	131	2,614	2,745	-
Boys Golf	-	787	787	-
Boys Wrestling	500	7,332	7,832	-
Girls Basketball	671	7,424	8,095	-
Girls Volleyball	42	10,540	10,582	-
Girls Soccer	18	2,777	2,795	-
Girls Softball	-	9,790	9,790	-
Girls Track	-	2,740	2,740	-
Student Juice	-	6,817	6,763	54
Art	1,377	2,317	1,579	2,115
Building Club	40	666	2,221	(1,515)
Industrial Arts Projects	459	(459)	-	-
Class Pictures	3,118	1,719	3,110	1,727
Uniform/Robe Rental	2,865	1,389	643	3,611
Win With Wellness	-	2,145	1,986	159
State Academic Decathlon	-	789	706	83
Student Council	2,710	3,713	4,161	2,262
Chess Club	351	-	-	351
Annual High School	9,824	19,945	19,611	10,158
Class of 2005	408	-	-	408
Class of 2006	358	-	100	258
Class of 2007	237	63	63	237
Class of 2008	1,500	1,378	2,300	578
Class of 2009	-	1,500	-	1,500
Cheerleading	1,123	5,319	5,737	705
NY Trip	-	68,293	68,281	12
Musical	-	4,891	4,877	14
Fine Arts	-	3,260	1,626	1,634
Fall Play	-	2,658	2,549	109

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Dance Group	\$ 339	\$ 4,514	\$ 2,707	\$ 2,146
Drivers Education	-	80	80	-
Athletic Resale	-	1,923	1,923	-
Activity Fees High School	-	12,505	12,505	-
Scholarship Fund	236	2,535	1,750	1,021
German Trip	165	-	(75)	240
Spanish Trip	1,798	4,984	5,574	1,208
H.S. Special Fees	40	3,570	3,392	218
Library	951	92	18	1,025
Band Middle School	377	1,208	1,368	217
Boys Basketball	-	1,231	1,231	-
Boys Football	150	3,886	4,019	17
Boys Track	-	761	761	-
Boys Wrestling	-	564	564	-
Girls Basketball	-	1,189	1,189	-
Girls Volleyball	-	1,495	1,495	-
Girls Softball	-	534	534	-
Girls Track	270	641	911	-
Class Pictures	5,838	16,788	21,705	921
8th Grade Musical	1,889	521	626	1,784
Strings - Middle School	62	262	324	-
Student Council	1,366	10,853	11,726	493
Annual Middle School	1,742	4,450	3,643	2,549
Activity Fees Middle School	-	4,075	4,075	-
Middle School Special Fees	1,788	-	410	1,378
Birthday Books Middle School	-	915	846	69
Class Picture - Elementary	3,603	7,886	5,324	6,165
Strings - Elementary	35	765	800	-
We Tap	-	4,369	694	3,675
Activity Fees Elementary	16	2,238	2,254	-
Field Trips	663	3,190	3,360	493
Foundation Grant	-	4,648	3,975	673
Birthday Books Elementary	158	1,655	626	1,187
Total	\$ 53,068	\$ 342,035	\$ 338,944	\$ 56,159

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, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>2,209</u>	\$ <u>5,475</u>	\$ <u>5,667</u>	\$ <u>2,017</u>
Liabilities				
Other payables	\$ <u>2,209</u>	\$ <u>5,475</u>	\$ <u>5,667</u>	\$ <u>2,017</u>

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 FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 3,434,909	\$ 3,230,451	\$ 3,048,884	\$ 2,540,909
Tuition	1,306,157	1,203,706	1,228,175	884,941
Other	909,387	879,232	556,514	402,928
State sources	4,793,250	4,519,836	4,496,276	4,227,033
Federal sources	261,517	550,467	146,445	142,292
Total revenues	\$ 10,705,220	\$ 10,383,692	\$ 9,476,294	\$ 8,198,103
Expenditures:				
Instruction	\$ 6,677,440	\$ 6,044,316	\$ 5,439,988	\$ 5,335,853
Support services:				
Student services	193,632	187,837	196,895	168,382
Instructional staff services	276,986	260,544	387,478	271,406
Administration services	1,110,943	1,002,951	780,717	744,773
Operation and maintenance of plant services	829,924	847,901	830,463	653,278
Transportation services	401,843	335,563	312,541	394,811
Non-instructional programs	-	-	716	705
Other expenditures:				
Facilities acquisition	1,536,328	9,250,683	1,816,041	51,079
Long-term debt:				
Principal	555,000	375,000	510,000	330,000
Interest and fiscal charges	447,438	387,031	405,920	22,004
AEA flowthrough	314,749	290,296	288,897	283,799
Total expenditures	\$ 12,344,283	\$ 18,982,122	\$ 10,969,656	\$ 8,256,090

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 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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mount Vernon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Mount Vernon Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mount Vernon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

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 and contracts, 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Mount Vernon Community School District's operations for the year ended June 30, 2007 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. 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
November 30, 2007

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-07 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 and the posting of the cash receipts journal, check signing, recording of PPEL and capital project expenditures, 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 will investigate available alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

I-B-07 Disbursements – Out of forty disbursements examined in our disbursement test, one was only partially supported by an invoice or receipt and two were only supported by purchase orders. In addition, one disbursement examined in our payables test was only partially supported by an invoice or receipt. Upon further follow up, no questionable expenditures were noted.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation at the time of their payment.

Response – We will make sure that all future disbursements are properly supported prior to their being paid.

Conclusion – Response accepted.

I-C-07 Gate Admissions – The gate admissions and change box are not always reconciled with prenumbered tickets. Prenumbered tickets are only used for certain events.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – Most students and parents purchase season activity tickets. The amount of cash taken in at each event is minimal for those events where prenumbered tickets were not used. We feel our gate receipt procedures in place at these events are adequate.

Conclusion – Response acknowledged, however, the added control of reconciling prenumbered tickets with cash collected could be considered an additional safeguard.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

- I-D-07 Nontimely Deposits – Out of four athletic event gate receipts tested, three were not deposited to the bank timely. These three receipts were held from seven to thirty days before being deposited.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid possible irregularities and to earn the interest revenue on the public funds.

Response – We will try to make sure that all receipts are deposited timely in the future.

Conclusion – Response accepted.

- I-E-07 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor, i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

- I-F-07 Check Written and Held – We noted in our testing of outstanding checks at year end that one check totaling \$2,136 from the Student Activity Fund written on May 29, 2007 was not redeemed. Upon inquiry, we noted that the disbursement was made in May to meet a grant requirement, but the check was not released by the District until August 2007.

Recommendation – Writing and holding checks bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the District at any given time any checks are written and held. The District should avoid the practice by developing guidelines for disbursements that prevent writing and holding checks.

Response – This was an unusual situation and we will try to avoid this practice in the future.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.

II-B-07 Questionable Expenditures – Certain 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 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Mount Vernon Bank & Trust	General	Chamber Bucks for Staff Recognition	\$1,570
District Employee	General	Reimbursement for Staff Recognition Ceremony	<u>88</u>
			<u>\$1,658</u>

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the District should establish written policies and procedures, including the requirement for proper documentation.

Response – We will create a School Board policy to address this issue.

Conclusion – Response accepted.

II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Todd Tripp, Board Vice-President	Timekeeping	\$ 30

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

II-E-07 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.

II-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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

- II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 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, or Enterprise Fund.

The Iowa Department of Education’s Uniform Administrative Procedures for Iowa School Officials Chapter 7, page 77, 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, 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, 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 close these accounts and account for the activities within the General, Private Purpose Trust, or Enterprise Fund as appropriate.

Conclusion – Response accepted.

- II-K-07 Financial Condition – The nonmajor Enterprise, Summer Daycare Fund had a \$3,108 net assets deficit at June 30, 2007.

Recommendation – The District needs to explore alternatives to restore the Summer Daycare Fund to a sound financial condition.

Response – This is only the second year of the summer daycare program. We expect the program to generate a net income in the future.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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

II-L-07 District Credit Card – We noted one instance where the District’s credit card was used for a personal purchase. This amount was later reimbursed by the individual. The District’s credit card policy states that school credit cards are to be used only for work-related expenses.

Recommendation – The District should ensure that only work-related purchases, and no personal purchases, are made with the District’s credit card, as allowed by the District’s credit card policy.

Response – We will try to avoid this type of situation in the future.

Conclusion – Response accepted.