

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
MOUNT VERNON, IOWA

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

JUNE 30, 2008

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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 2007 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
<u>Board of Education</u>		
(After September 2007 Election)		
Thomas Wieseler	President	2009
Bob Penn	Vice President	2008
Ann Stoner	Board Member	2008
John Cochrane	Board Member	2009
Paul Morf	Board Member	2009
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
<u>School Officials</u>		
Jeff Schwiebert	Superintendent	2008
Matt Burke	District Secretary/Treasurer	2008
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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. 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, 2008, 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 December 11, 2008 on our consideration of Mount Vernon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 7 through 16 and 52 through 53 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, 2007 (which are not presented herein). For the two years ended June 30, 2007, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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
December 11, 2008

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,785,830 in fiscal 2007 to \$9,864,340 in fiscal 2008, while General Fund expenditures increased from \$9,334,500 in fiscal 2007 to \$9,520,669 in fiscal 2008. The District's General Fund balance increased from \$223,894 in fiscal 2007 to \$567,638 in fiscal 2008, a 154% increase.
- The increase in General Fund revenues was primarily attributable to an increase in property taxes and state aid related to an increase in enrollment and an increase from the Safe and Drug Free Schools and Communities federal grant and an increase to the State of Iowa funding for the teacher salary improvement program. The increase in General Fund expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in the expenditures related to the Safe and Drug Free Schools and Communities federal grant and an increase in the expenditures related to the increased funding from the State of Iowa teacher salary improvement program. The General Fund expenditures also included a decrease in expenditures for the purchase of furniture and equipment.
- Beginning in fiscal 2008 the District started receiving revenues from the Linn County local option sales and services tax for school infrastructure purposes. This ten year local option sales and services tax was approved by the Linn County voters on February 13, 2007.
- In June, 2008 the District issued \$3,170,000 in construction bonds for various building renovation projects. The District pledged future local option sales and services tax revenues to repay these bonds over a nine year period from 2009 through 2017. As of June 30, 2008 the district had incurred \$799,330 in costs related to \$2,201,320 in various contracts for middle school and elementary school renovation projects. The district anticipates that all of the renovation projects related to this bond issue will be completed prior to June 30, 2009.

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.

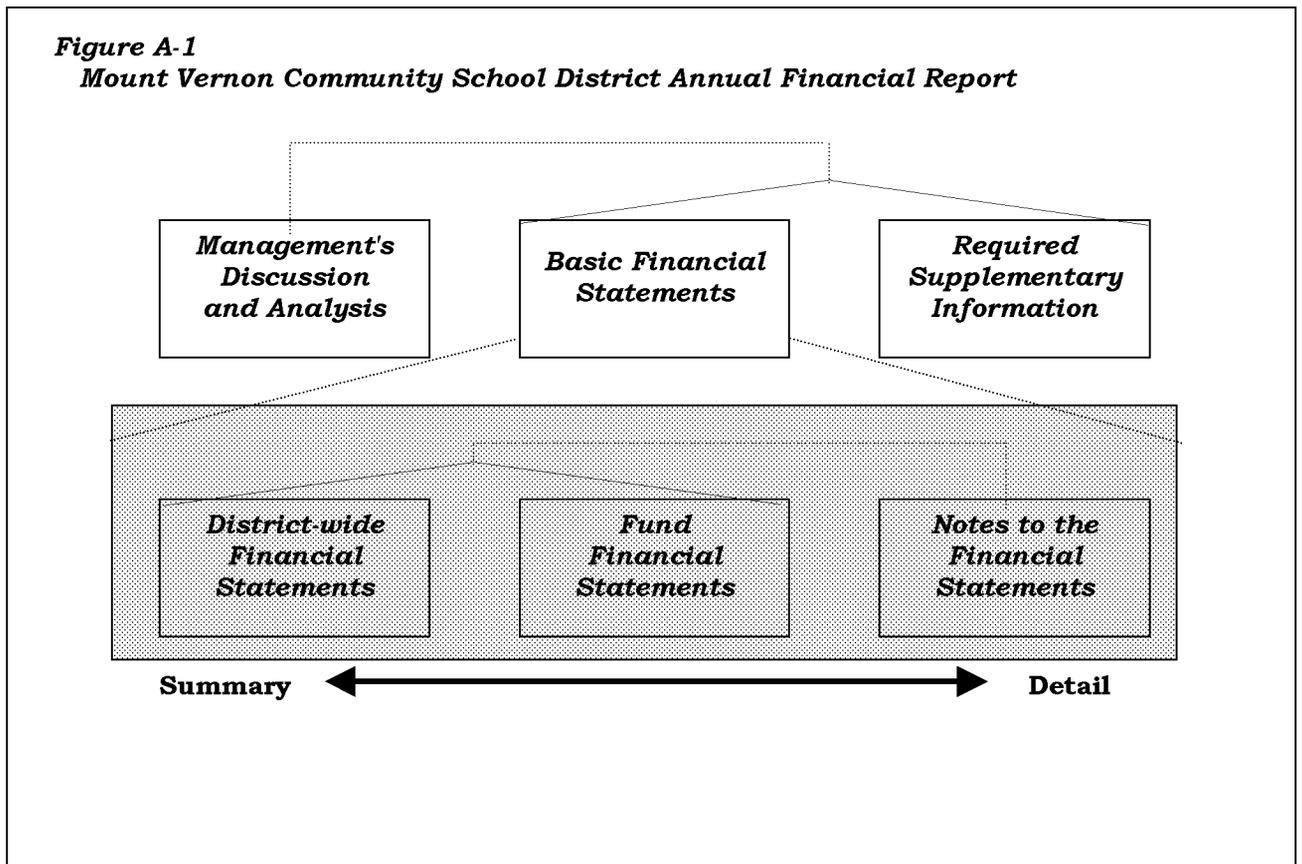


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2008 as compared to June 30, 2007.

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, 2007-2008
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$9,008	\$5,688	\$98	\$121	\$9,106	\$5,809	\$3,297
Capital assets	16,805	15,996	170	188	16,975	16,184	791
Total assets	25,813	21,684	268	309	26,081	21,993	4,088
Long-term liabilities	12,035	9,465	-	-	12,035	9,465	2,570
Other liabilities	4,871	4,681	19	16	4,890	4,697	193
Total liabilities	16,906	14,146	19	16	16,925	14,162	2,763
Net assets:							
Invested in capital assets,							
Net of related debt	6,714	6,530	171	188	6,885	6,718	167
Restricted	1,368	522	-	-	1,368	522	846
Unrestricted	824	486	78	105	902	591	311
Total net assets	8,906	7,538	249	293	9,155	7,831	1,324

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, 2008 as compared to June 30, 2007.

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

	<u>Governmental Activities</u>		<u>Business type Activities</u>		<u>Total District</u>		<u>Total Change</u>
	<u>June 30, 2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Revenues:							
Program revenues:							
Charges for service	\$1,842	1,804	\$509	\$471	2,351	\$2,275	3.3%
Operating grants, contributions and restricted interest	1,371	874	127	160	1,498	1,034	44.9%
Capital grants, contributions and restricted interest	-	365	-	51	-	416	-100.0%
General revenues:							
Property tax	3,268	3,150	-	-	3,268	3,150	3.7%
Local option sales and service tax	981	7	-	-	981	7	100%
Unrestricted state grants	4,361	4,048	-	-	4,361	4,048	7.7%
Unrestricted investment earnings	121	133	2	7	123	140	-13.8%
Other	366	326	-	-	366	326	12.3%
Total revenues	12,310	10,707	638	689	12,948	11,396	13.6%
Program expenses:							
Governmental activities:							
Instruction	6,532	6,368	-	-	6,532	6,368	2.6%
Support services	3,216	2,777	-	-	3,216	2,777	15.8%
Non-instructional programs	-	-	683	629	683	629	8.6%
Other expenses	1,194	927	-	6	1,194	933	28.0%
Total expenses	10,942	10,072	683	635	11,625	10,707	8.6%
Change in net assets	\$1,368	635	(45)	\$54	1,323	\$689	92.0%

Property tax and unrestricted state grants account for 62% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total governmental activities expenses.

Overall net assets increased approximately \$1,323,000 for the current year.

Governmental Activities

Revenues for governmental activities were \$12,310,209 and expenses were \$10,941,902.

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>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Instruction	\$6,368	6,532	4,121	4,104
Support services	2,777	3,216	2,661	2,787
Non-instructional programs	-	-	-	-
Other expenses	927	1,194	247	838
Totals	\$10,072	10,942	7,029	7,729

The cost financed by users of the District's programs was \$1,841,654.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,371,366.
- The net cost of governmental activities was financed with \$4,590,608 in property and other taxes and \$4,361,068 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$638,519 and expenses were \$683,208. 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, 2008, the School Board approved an increase in meal prices for the 2007-2008 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 \$3,894,455 as compared to last year's ending fund balances of \$762,176. The primary reason for the increase was the increase in local option sales and services tax receipts and proceeds of construction bonds issued against future local option sales and services tax revenues.

Governmental Fund Highlights

- The District's General Fund financial position improved in fiscal 2008 as compared to the previous fiscal year. The district made changes to the budgeted revenues and expenditures to improve the financial position and the related solvency ratio.
- General Fund revenues increased from \$8,785,830 in fiscal 2007 to \$9,864,340 in fiscal 2008, while General Fund expenditures increased from \$9,334,500 in fiscal 2007 to \$9,520,669 in fiscal 2008. The District's General Fund balance increased from \$223,894 in fiscal 2007 to \$567,638 in fiscal 2008, a 154% increase.
- The increase in General Fund revenues was primarily attributable to an increase in property taxes and state aid related to an increase in enrollment and an increase from the Safe and Drug Free Schools and Communities federal grant and an increase to the State of Iowa funding for the teacher salary improvement program. The increase in General Fund expenditures was due primarily to an increase in the negotiated salary and benefits and an increase in the expenditures related to the Safe and Drug Free Schools and Communities federal grant and an increase in the expenditures related to the increased funding from the State of Iowa teacher salary improvement program. The General Fund expenditures also included a decrease in expenditures for the purchase of furniture and equipment.
- Beginning in fiscal 2008 the District started receiving revenues from the Linn County local option sales and services tax for school infrastructure purposes. This ten year local option sales and services tax was approved by the Linn County voters on February 13, 2007.
- In June, 2008 the District issued \$3,170,000 in construction bonds for various building renovation projects. The District pledged future local option sales and services tax revenues to repay these bonds over a nine year period from 2009 through 2017. As of June 30, 2008 the district had incurred \$799,330 in costs related to \$2,201,320 in various contracts for middle school and elementary school renovation projects. The district anticipates that all of the renovation projects related to this bond issue will be completed prior to June 30, 2009.

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 safe and drug free schools and communities federal grant. No functional budget areas were exceeded at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$17.0 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 \$596,115.

The original cost of the District's capital assets was \$21.5 million primarily in the governmental funds. The District's construction in progress totaled \$1,088,472 at June 30, 2008 which represents the construction renovation costs at the elementary school building and the middle school building.

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

	Governmental Activities June 30, <u>2008</u>		Business type Activities June 30, <u>2007</u>		Total District June 30, <u>2008</u>		<u>Total</u>
	<u>2007</u>				<u>2007</u>		<u>2007-2008</u>
Land	\$298	298	-	-	298	298	-
Construction in progress	1,088	12,553	-	-	1,088	12,553	(11,465)
Buildings	14,727	2,341	-	-	14,727	2,341	12,386
Improvements other than buildings	177	192	-	-	177	192	(15)
Furniture and equipment	515	611	170	188	685	799	(114)
Totals	16,805	15,995	170	188	16,975	16,183	792

Long-Term Debt

At June 30, 2008, the District had \$12,035,000 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, <u>2008</u>		<u>2007</u>	Total Change June 30, <u>2007-2008</u>
General obligation bonds	\$7,665		7,995	(330)
Local sales tax bonds	\$3,170		-	3,170

Energy Loan Notes	485	535	(50)
Capital Loan Notes	715	935	(220)
Totals	12,035	9,465	2,570

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The Iowa Department of Revenue reduced the projected local option sales and services tax receipts for the District based on a slowing down of sales tax receipts in the State economy.
- The school district anticipates a decline in enrollment related revenues for the 2009-2010 school year due to the graduation of a large senior class in 2009.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,683,387	\$ 71,701	\$ 4,755,088
Cash with fiscal agent	317,000	-	317,000
Receivables:			
Property tax:			
Current year	19,148	-	19,148
Succeeding year	3,262,295	-	3,262,295
Income surtax	282,520	-	282,520
Accrued interest	7,135	-	7,135
Accounts	1,954	8,613	10,567
Due from other governments	442,277	903	443,180
Interfund balances (note 4)	(14,613)	14,613	-
Inventories	-	1,753	1,753
Restricted ISCAP assets (note 5):			
Accrued interest receivable	6,275	-	6,275
Capital assets, net of accumulated depreciation (note 6)	16,805,176	170,387	16,975,563
Total assets	25,812,554	267,970	26,080,524
Liabilities			
Accounts payable	854,121	2,733	856,854
Salaries and benefits payable	713,987	7,116	721,103
Accrued interest payable	40,682	-	40,682
Deferred revenue:			
Succeeding year property tax	3,262,295	-	3,262,295
Other	-	9,591	9,591
Long-term liabilities (note 7):			
Portion due within one year:			
Bonds payable	345,000	-	345,000
Notes payable	285,000	-	285,000
Portion due after one year:			
Bonds payable	10,490,000	-	10,490,000
Notes payable	915,000	-	915,000
Total liabilities	16,906,085	19,440	16,925,525

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 6,713,746	\$ 170,387	\$ 6,884,133
Restricted for:			
Management levy	76,223	-	76,223
Physical plant and equipment levy	253,954	-	253,954
Other special revenue purposes	54,856	-	54,856
Debt service	298,722	-	298,722
Capital projects	658,810	-	658,810
State grants	26,588	-	26,588
Unrestricted	<u>823,570</u>	<u>78,143</u>	<u>901,713</u>
Total net assets	<u>\$ 8,906,469</u>	<u>\$ 248,530</u>	<u>\$ 9,154,999</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 6,532,060	\$ 1,781,400	\$ 646,551
Support services:			
Student services	407,570	-	344,619
Instructional staff services	350,710	-	21,554
Administration services	1,138,812	14,029	-
Operation and maintenance of plant services	901,544	30,511	-
Transportation services	416,987	15,714	2,218
	<u>3,215,623</u>	<u>60,254</u>	<u>368,391</u>
Other expenditures:			
Facilities acquisition	19,305	-	9,857
Long-term debt interest and fiscal charges	417,204	-	-
AEA flowthrough	346,567	-	346,567
Depreciation (unallocated) *	411,143	-	-
	<u>1,194,219</u>	<u>-</u>	<u>356,424</u>
Total governmental activities	<u>10,941,902</u>	<u>1,841,654</u>	<u>1,371,366</u>
Business-Type Activities:			
Non-instructional programs:			
Food service operations	553,351	400,693	126,920
Daycare operations	89,436	58,045	-
Summer daycare operations	40,421	50,372	-
	<u>683,208</u>	<u>509,110</u>	<u>126,920</u>
Total business-type activities	<u>683,208</u>	<u>509,110</u>	<u>126,920</u>
Total	<u>\$ 11,625,110</u>	<u>\$ 2,350,764</u>	<u>\$ 1,498,286</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,104,109)	\$ -	\$ (4,104,109)
(62,951)	-	(62,951)
(329,156)	-	(329,156)
(1,124,783)	-	(1,124,783)
(871,033)	-	(871,033)
(399,055)	-	(399,055)
(2,786,978)	-	(2,786,978)
(9,448)	-	(9,448)
(417,204)	-	(417,204)
-	-	-
(411,143)	-	(411,143)
(837,795)	-	(837,795)
(7,728,882)	-	(7,728,882)
-	(25,738)	(25,738)
-	(31,391)	(31,391)
-	9,951	9,951
-	(47,178)	(47,178)
(7,728,882)	(47,178)	(7,776,060)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs

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
\$ 2,273,992	\$ -	\$ 2,273,992
673,048	-	673,048
320,756	-	320,756
342,150	-	342,150
980,662	-	980,662
4,361,068	-	4,361,068
121,272	2,489	123,761
24,241	-	24,241
9,097,189	2,489	9,099,678
1,368,307	(44,689)	1,323,618
7,538,162	293,219	7,831,381
\$ 8,906,469	\$ 248,530	\$ 9,154,999

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 1,069,670	\$ 7,252	\$ 3,197,475	\$ 408,990	\$ 4,683,387
Cash with fiscal agent	-	-	317,000	-	317,000
Receivables:					
Property tax:					
Current year	12,223	4,657	-	2,268	19,148
Succeeding year	2,109,304	689,474	-	463,517	3,262,295
Income surtax	282,520	-	-	-	282,520
Accrued interest	-	-	7,135	-	7,135
Interfund receivable (note 4)	14,931	-	-	-	14,931
Accounts	1,954	-	-	-	1,954
Due from other governments	309,216	-	133,061	-	442,277
Restricted ISCAP assets (note 5):					
Accrued interest receivable	6,275	-	-	-	6,275
Total assets	\$ 3,806,093	\$ 701,383	\$ 3,654,671	\$ 874,775	\$ 9,036,922

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 118,031	\$ -	\$ 726,822	\$ 9,268	\$ 854,121
Salaries and benefits payable	713,987	-	-	-	713,987
Interfund payable (note 4)	14,613	-	-	14,931	29,544
Deferred revenue:					
Succeeding year property tax	2,109,304	689,474	-	463,517	3,262,295
Other	282,520	-	-	-	282,520
Total liabilities	<u>3,238,455</u>	<u>689,474</u>	<u>726,822</u>	<u>487,716</u>	<u>5,142,467</u>
Fund balance:					
Reserved for:					
State grants	26,588	-	-	-	26,588
Debt service	-	11,909	-	-	11,909
Local option sales and services tax revenue bonds	-	-	317,000	-	317,000
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	387,059	387,059
Undesignated	541,050	-	2,610,849	-	3,151,899
Total fund balances	<u>567,638</u>	<u>11,909</u>	<u>2,927,849</u>	<u>387,059</u>	<u>3,894,455</u>
Total liabilities and fund balances	<u>\$ 3,806,093</u>	<u>\$ 701,383</u>	<u>\$ 3,654,671</u>	<u>\$ 874,775</u>	<u>\$ 9,036,922</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, 2008

Total fund balances of governmental funds	\$	3,894,455
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.		16,805,176
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		282,520
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.		(40,682)
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>(12,035,000)</u>
Net assets of governmental activities	\$	<u><u>8,906,469</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,512,647	\$ 672,678	\$ 980,662	\$ 419,996	\$ 4,585,983
Tuition	1,400,687	-	-	-	1,400,687
Other	226,818	6,671	18,672	343,754	595,915
State sources	5,291,518	370	-	234	5,292,122
Federal sources	432,670	-	-	-	432,670
Total revenues	<u>9,864,340</u>	<u>679,719</u>	<u>999,334</u>	<u>763,984</u>	<u>12,307,377</u>
Expenditures:					
Current:					
Instruction	6,134,215	-	-	299,452	6,433,667
Support services:					
Student services	407,570	-	-	-	407,570
Instructional staff services	331,895	-	102,952	-	434,847
Administration services	1,089,160	-	-	49,652	1,138,812
Operation and maintenance of plant services	834,779	-	-	57,688	892,467
Transportation services	376,483	-	-	26,423	402,906
	<u>3,039,887</u>	<u>-</u>	<u>102,952</u>	<u>133,763</u>	<u>3,276,602</u>
Other expenditures:					
Facilities acquisition	-	-	1,035,085	203,424	1,238,509
Long term debt:					
Principal	-	600,000	-	-	600,000
Interest and fiscal charges	-	410,715	39,111	-	449,826
AEA flowthrough	346,567	-	-	-	346,567
	<u>346,567</u>	<u>1,010,715</u>	<u>1,074,196</u>	<u>203,424</u>	<u>2,634,902</u>
Total expenditures	<u>9,520,669</u>	<u>1,010,715</u>	<u>1,177,148</u>	<u>636,639</u>	<u>12,345,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>343,671</u>	<u>(330,996)</u>	<u>(177,814)</u>	<u>127,345</u>	<u>(37,794)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 73	\$ -	\$ -	\$ -	73
Interfund transfers in (note 3)	-	321,190	-	-	321,190
Interfund transfers out (note 3)	-	-	(69,612)	(251,578)	(321,190)
Local option sales and services tax revenue bonds issued	-	-	3,170,000	-	3,170,000
Total other financing sources (uses)	<u>73</u>	<u>321,190</u>	<u>3,100,388</u>	<u>(251,578)</u>	<u>3,170,073</u>
Net change in fund balances	343,744	(9,806)	2,922,574	(124,233)	3,132,279
Fund balances beginning of year	<u>223,894</u>	<u>21,715</u>	<u>5,275</u>	<u>511,292</u>	<u>762,176</u>
Fund balances end of year	<u>\$ 567,638</u>	<u>\$ 11,909</u>	<u>\$ 2,927,849</u>	<u>\$ 387,059</u>	<u>\$ 3,894,455</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 3,132,279

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

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

Expenditures for capital assets	\$ 1,387,922	
Depreciation expense	<u>(578,164)</u>	809,758

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 2,759

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (3,170,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 600,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (6,489)

Change in net assets of governmental activities \$ 1,368,307

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 71,701
Interfund receivable (note 4)	14,613
Accounts receivable	8,613
Due from other governments	903
Inventories	1,753
Capital assets, net of accumulated depreciation	<u>170,387</u>
Total assets	<u>267,970</u>
Liabilities	
Accounts payable	2,733
Salaries and benefits payable	7,116
Deferred revenue	<u>9,591</u>
Total liabilities	<u>19,440</u>
Net Assets	
Invested in capital assets	170,387
Unrestricted	<u>78,143</u>
Total net assets	<u>\$ 248,530</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, 2008

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>509,110</u>
Operating expenses:	
Non-instructional programs:	
Non-instructional operations:	
Salaries	196,149
Benefits	60,373
Purchased services	2,673
Supplies	406,062
Depreciation	<u>17,951</u>
	<u>683,208</u>
Operating loss	<u>(174,098)</u>
Non-operating revenues:	
Interest on investments	2,489
State sources	5,859
Federal sources	<u>121,061</u>
Total non-operating revenues	<u>129,409</u>
Change in net assets	(44,689)
Net assets beginning of year	<u>293,219</u>
Net assets end of year	<u>\$ <u>248,530</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 399,232
Cash received from miscellaneous operating activities	108,098
Cash payments to employees for services	(270,791)
Cash payments to suppliers for goods or services	<u>(398,292)</u>
Net cash used by operating activities	<u>(161,753)</u>
Cash flows from non-capital financing activities:	
State grants received	5,859
Federal grants received	<u>118,031</u>
Net cash provided by non-capital financing activities	<u>123,890</u>
Cash flows from investing activities:	
Interest on investments	<u>2,489</u>
Net decrease in cash and cash equivalents	(35,374)
Cash and cash equivalents beginning of year	<u>107,075</u>
Cash and cash equivalents end of year	<u>\$ 71,701</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (174,098)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	17,951
Commodities used	7,612
(Increase) in interfund receivable	(14,613)
(Increase) in accounts receivable	(1,690)
(Increase) in due from other governments	(903)
Decrease in inventories	550
Increase in accounts payable	2,281
Increase in salaries and benefits payable	344
Increase in deferred revenue	<u>813</u>
Net cash used by operating activities	<u>\$ (161,753)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$7,612 of federal commodities.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2008

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>900</u>	\$ <u>4,018</u>
Liabilities:		
Other payables	<u>-</u>	<u>4,018</u>
Net assets:		
Reserved for scholarships	\$ <u><u>900</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, 2008

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	1,000
Interest		<u>19</u>
Total additions		<u>1,019</u>
Deductions:		
Support services:		
Scholarships awarded		<u>1,000</u>
Change in net assets		19
Net assets beginning of year		<u>881</u>
Net assets end of year	\$	<u><u>900</u></u>
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 territory in Johnson, Jones, and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds:

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

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

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

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 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, 2008, 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.

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the 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 the proprietary funds and business-type activities consists of unearned meal revenues. 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2008.

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

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,369,153.

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, 2008 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, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>3,512,112</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, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 69,612
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>251,578</u>
Total		<u>\$ 321,190</u>

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Interfund Receivables and Payables

At June 30, 2008 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between Governmental Funds:		
Other receivables:		
General	Special Revenue: Student Activity	\$ 14,931
Interfund balances between Proprietary and Governmental Funds:		
Enterprise:		
School Nutrition	General	<u>14,613</u>
		<u>\$ 29,544</u>

Other receivable interfund balances are due to timing differences in reimbursements between funds. The interfund balances between Governmental Funds are not included on the District-wide Statement of Net Assets. The interfund balances between Proprietary and Governmental Funds have been eliminated on the face of the District-wide Statement of Net Assets.

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, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Accrued Interest Receivable</u>
2007-08A	6/27/2007	6/27/2008	\$ <u>6,275</u>

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. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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>
2007-08A	4.50%	5.455%

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2008 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	12,552,775	1,088,472	12,552,775	1,088,472
Total capital assets not being depreciated	<u>12,850,912</u>	<u>1,088,472</u>	<u>12,552,775</u>	<u>1,386,609</u>
Capital assets being depreciated:				
Buildings	4,633,564	12,722,617	-	17,356,181
Improvements other than buildings	662,636	-	-	662,636
Furniture and equipment	1,772,837	129,608	-	1,902,445
Total capital assets being depreciated	<u>7,069,037</u>	<u>12,852,225</u>	<u>-</u>	<u>19,921,262</u>
Less accumulated depreciation for:				
Buildings	2,292,203	337,052	-	2,629,255
Improvements other than buildings	470,279	15,304	-	485,583
Furniture and equipment	1,162,049	225,808	-	1,387,857
Total accumulated depreciation	<u>3,924,531</u>	<u>578,164</u>	<u>-</u>	<u>4,502,695</u>
Total capital assets being depreciated, net	<u>3,144,506</u>	<u>12,274,061</u>	<u>-</u>	<u>15,418,567</u>
Governmental activities capital assets, net	<u>\$ 15,995,418</u>	<u>\$ 13,362,533</u>	<u>\$ 12,552,775</u>	<u>\$ 16,805,176</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 227,046	\$ -	\$ -	\$ 227,046
Less accumulated depreciation	<u>38,708</u>	<u>17,951</u>	<u>-</u>	<u>56,659</u>
Business-type activities capital assets, net	<u>\$ 188,338</u>	<u>\$ (17,951)</u>	<u>\$ -</u>	<u>\$ 170,387</u>

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

Governmental activities:	
Instruction	\$ 105,949
Support services:	
Instructional staff	23,174
Operation and maintenance of plant services	9,077
Transportation	<u>28,821</u>
	167,021
Unallocated depreciation	<u>411,143</u>
	\$ <u>578,164</u>
Business-type activities:	
Food service operations	<u>\$ 17,951</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Energy Loan Notes	Capital Loan Notes	Total
Balance beginning of year	\$ 7,995,000	\$ -	\$ 535,000	\$ 935,000	\$ 9,465,000
Additions	-	3,170,000	-	-	3,170,000
Reductions	330,000	-	50,000	220,000	600,000
Balance end of year	<u>\$ 7,665,000</u>	<u>\$ 3,170,000</u>	<u>\$ 485,000</u>	<u>\$ 715,000</u>	<u>\$ 12,035,000</u>
Due within one year	<u>\$ 345,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 230,000</u>	<u>\$ 630,000</u>

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>\$ 7,665,000</u>	<u>\$ 3,261,984</u>	<u>\$ 10,926,984</u>

During the year ended June 30, 2008, the District retired \$330,000 of bonds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009		\$ -	\$ 59,281	\$ 59,281
2010	2.60 %	385,000	96,620	481,620
2011	2.80	420,000	85,735	505,735
2012	3.00	430,000	73,405	503,405
2013	3.10	455,000	59,903	514,903
2014	3.25	280,000	48,300	328,300
2015	3.40	240,000	39,670	279,670
2016	3.55	250,000	31,152	281,152
2017	3.70	265,000	21,813	286,813
2018	3.80	445,000	8,455	453,455
		<u>\$ 3,170,000</u>	<u>\$ 524,334</u>	<u>\$ 3,694,334</u>

The District pledged future local option sales and services tax revenues to repay the \$3,170,000 bonds issued in June 2008. The bonds were issued for the purpose of financing various building replacement and renovation projects. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 30 to 50 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,694,334. For the current year, no principal and interest were paid on the bonds and total local option sales and services tax revenues were \$980,662.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$317,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Beginning July 1, 2008, monies in the Revenue Account shall be disbursed to make monthly deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 7. Long-Term Liabilities (continued)

Energy Loan Notes

Details of the District's June 30, 2008 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>\$ 485,000</u>	<u>\$ 86,412</u>	<u>\$ 571,412</u>

Capital Loan Notes

Details of the District's June 30, 2008 capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>\$ 715,000</u>	<u>\$ 49,382</u>	<u>\$ 764,382</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.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$399,974, \$354,723, and \$344,577, respectively, equal to the required contributions for each year.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 \$346,567 for the year ended June 30, 2008 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 has entered into various contracts totaling \$2,201,320 for middle school and elementary buildings improvement projects. As of June 30, 2008, costs of \$799,330 had been incurred against the contracts. The balance of \$1,401,990 remaining at June 30, 2008 will be paid as work on the projects progresses.

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Required Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
REVENUES:						
Local sources	\$ 6,582,585	\$ 511,599	\$ 7,094,184	\$ 7,126,323	\$ 7,126,323	\$ (32,139)
State sources	5,292,122	5,859	5,297,981	5,365,182	5,365,182	(67,201)
Federal sources	432,670	121,061	553,731	349,404	349,404	204,327
Total revenues	12,307,377	638,519	12,945,896	12,840,909	12,840,909	104,987
EXPENDITURES/EXPENSES:						
Instruction	6,433,667	-	6,433,667	6,979,054	6,979,054	545,387
Support services	3,276,602	-	3,276,602	3,190,265	3,782,797	506,195
Non-instructional programs	-	683,208	683,208	795,459	795,459	112,251
Other expenditures	2,634,902	-	2,634,902	5,956,165	5,956,165	3,321,263
Total expenditures/expenses	12,345,171	683,208	13,028,379	16,920,943	17,513,475	4,485,096
Excess (deficiency) of revenues over (under) expenditures/ expenses	(37,794)	(44,689)	(82,483)	(4,080,034)	(4,672,566)	4,590,083
Other financing sources, net	3,170,073	-	3,170,073	4,230,000	4,230,000	(1,059,927)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	3,132,279	(44,689)	3,087,590	149,966	(442,566)	3,530,156
Balance beginning of year	762,176	293,219	1,055,395	819,420	819,420	235,975
Balance end of year	\$ <u>3,894,455</u>	\$ <u>248,530</u>	\$ <u>4,142,985</u>	\$ <u>969,386</u>	\$ <u>376,854</u>	\$ <u>3,766,131</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$592,532.

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Other Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 75,664	\$ 73,455	\$ 259,871	\$ 408,990
Receivables:				
Property tax:				
Current year	559	-	1,709	2,268
Succeeding year	119,982	-	343,535	463,517
Total assets	\$ 196,205	\$ 73,455	\$ 605,115	\$ 874,775
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 3,668	\$ 5,600	\$ 9,268
Interfund payable	-	14,931	-	14,931
Deferred revenue:				
Succeeding year property tax	119,982	-	343,535	463,517
Total liabilities	119,982	18,599	349,135	487,716
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	76,223	54,856	255,980	387,059
Total liabilities and fund equity	\$ 196,205	\$ 73,455	\$ 605,115	\$ 874,775

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, 2008

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 99,416	\$ -	\$ 320,580	\$ 419,996
Other	15,189	298,149	30,416	343,754
State sources	58	-	176	234
Total revenues	<u>114,663</u>	<u>298,149</u>	<u>351,172</u>	<u>763,984</u>
Expenditures:				
Current:				
Instruction	-	299,452	-	299,452
Support services:				
Administration services	49,652	-	-	49,652
Operation and maintenance of plant services	57,688			57,688
Transportation services	11,683	-	14,740	26,423
Other expenditures:				
Facilities acquisition	-	-	203,424	203,424
Total expenditures	<u>119,023</u>	<u>299,452</u>	<u>218,164</u>	<u>636,639</u>
Excess (deficiency) of revenues over (under) expenditures	(4,360)	(1,303)	133,008	127,345
Other financing uses:				
Interfund transfers out	-	-	(251,578)	(251,578)
Net change in fund balances	(4,360)	(1,303)	(118,570)	(124,233)
Fund balances beginning of year	<u>80,583</u>	<u>56,159</u>	<u>374,550</u>	<u>511,292</u>
Fund balances end of year	<u>\$ 76,223</u>	<u>\$ 54,856</u>	<u>\$ 255,980</u>	<u>\$ 387,059</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2008

	School Nutrition	Daycare	Summer Daycare	Total
Assets				
Cash and cash equivalents	\$ 23,483	\$ 41,989	\$ 6,229	\$ 71,701
Interfund receivable	14,613	-	-	14,613
Accounts receivable	-	-	8,613	8,613
Due from other governments	-	-	903	903
Inventories	1,753	-	-	1,753
Capital assets, net of accumulated depreciation	170,387	-	-	170,387
Total assets	<u>210,236</u>	<u>41,989</u>	<u>15,745</u>	<u>267,970</u>
Liabilities				
Accounts payable	107	-	2,626	2,733
Salaries and benefits payable	-	840	6,276	7,116
Deferred revenue	9,591	-	-	9,591
Total liabilities	<u>9,698</u>	<u>840</u>	<u>8,902</u>	<u>19,440</u>
Net Assets				
Invested in capital assets	170,387	-	-	170,387
Unrestricted	30,151	41,149	6,843	78,143
Total net assets	<u>\$ 200,538</u>	<u>\$ 41,149</u>	<u>\$ 6,843</u>	<u>\$ 248,530</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2008

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 400,693	\$ 58,045	\$ 50,372	\$ 509,110
Operating expenses:				
Non-instructional programs:				
Non-instructional operations:				
Salaries	125,299	49,074	21,776	196,149
Benefits	49,282	8,362	2,729	60,373
Purchased services	2,673	-	-	2,673
Supplies	358,146	32,000	15,916	406,062
Depreciation	17,951	-	-	17,951
	<u>553,351</u>	<u>89,436</u>	<u>40,421</u>	<u>683,208</u>
Operating income (loss)	<u>(152,658)</u>	<u>(31,391)</u>	<u>9,951</u>	<u>(174,098)</u>
Non-operating revenues:				
Interest on investments	1,328	1,161	-	2,489
State sources	5,859	-	-	5,859
Federal sources	121,061	-	-	121,061
Total non-operating revenues	<u>128,248</u>	<u>1,161</u>	<u>-</u>	<u>129,409</u>
Change in net assets	(24,410)	(30,230)	9,951	(44,689)
Net assets beginning of year	<u>224,948</u>	<u>71,379</u>	<u>(3,108)</u>	<u>293,219</u>
Net assets end of year	<u>\$ 200,538</u>	<u>\$ 41,149</u>	<u>\$ 6,843</u>	<u>\$ 248,530</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2008

	School Nutrition	Daycare	Summer Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 399,232	\$ -	\$ -	\$ 399,232
Cash received from miscellaneous operating activities	2,274	58,045	47,779	108,098
Cash payments to employees for services	(189,194)	(57,094)	(24,503)	(270,791)
Cash payments to suppliers for goods or services	(352,550)	(32,000)	(13,742)	(398,292)
Net cash provided by (used by) operating activities	<u>(140,238)</u>	<u>(31,049)</u>	<u>9,534</u>	<u>(161,753)</u>
Cash flows from non-capital financing activities:				
State grants received	5,859	-	-	5,859
Federal grants received	118,031	-	-	118,031
Net cash provided by non-capital financing activities	<u>123,890</u>	<u>-</u>	<u>-</u>	<u>123,890</u>
Cash flows from investing activities:				
Interest on investments	<u>1,328</u>	<u>1,161</u>	<u>-</u>	<u>2,489</u>
Net increase (decrease) in cash and cash equivalents	(15,020)	(29,888)	9,534	(35,374)
Cash and cash equivalents at beginning of year	<u>38,503</u>	<u>71,877</u>	<u>(3,305)</u>	<u>107,075</u>
Cash and cash equivalents at end of year	<u>\$ 23,483</u>	<u>\$ 41,989</u>	<u>\$ 6,229</u>	<u>\$ 71,701</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2008

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (152,658)	\$ (31,391)	\$ 9,951	\$ (174,098)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operation activities:				
Depreciation	17,951	-	-	17,951
Commodities used	7,612	-	-	7,612
(Increase) in interfund receivable	(14,613)	-	-	(14,613)
(Increase) in accounts receivable	-	-	(1,690)	(1,690)
(Increase) in due from other governments	-	-	(903)	(903)
Decrease in inventories	550	-	-	550
Increase in accounts payable	107	-	2,174	2,281
Increase in salaries and benefits payable	-	342	2	344
Increase in deferred revenue	813	-	-	813
Net cash provided by (used by) operating activities	<u>\$ (140,238)</u>	<u>\$ (31,049)</u>	<u>\$ 9,534</u>	<u>\$ (161,753)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$7,612 of federal commodities.

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, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Strings	\$ 1,684	\$ 4,875	\$ 5,209	\$ 1,350
Drama & Speech	-	2,964	2,964	-
Vocal	591	1,974	2,137	428
Band	341	15,894	16,235	-
Fine Arts	1,634	-	229	1,405
Miscellaneous Athletics	-	4,939	4,939	-
Cross Country Co-Ed	-	5,816	5,816	-
Tennis Co-Ed	-	669	669	-
Boys Basketball	-	10,728	10,728	-
Boys Football	3,036	20,554	23,590	-
Boys Soccer	568	1,683	2,251	-
Boys Baseball	-	6,913	6,913	-
Boys Track	-	3,336	3,336	-
Boys Golf	-	1,467	1,467	-
Boys Wrestling	-	5,715	5,715	-
Girls Basketball	-	5,361	5,361	-
Girls Volleyball	-	15,871	15,871	-
Girls Soccer	-	2,015	2,015	-
Girls Softball	-	9,865	9,865	-
Girls Track	-	6,547	6,547	-
Office Resale	54	6,850	6,904	-
Art	2,115	6,217	6,829	1,503
Building Club	(1,515)	5,247	3,062	670
Industrial Arts Projects	-	2,121	2,121	-
Class Pictures	1,727	1,565	2,446	846
Uniform/Robe Rental	3,611	937	1,451	3,097
Electric Vehicle Team	-	10,155	10,155	-
Win With Wellness	159	-	-	159
State Academic Decathlon	83	-	-	83
Student Council	2,262	3,760	5,780	242
Chess Club	351	-	-	351
Yearbook	10,158	21,200	21,759	9,599
Class of 2005	408	-	-	408
Class of 2006	258	-	-	258
Class of 2007	237	-	-	237
Class of 2008	578	-	100	478
Class of 2009	1,500	1,743	3,026	217
Class of 2010	-	1,500	-	1,500

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Cheerleading	\$ 705	\$ 2,164	\$ 2,787	\$ 82
NY Trip	12	201	201	12
Musical	14	4,239	3,768	485
Fall Play	109	2,635	2,439	305
Dance Group	2,146	8,752	6,822	4,076
Audio Design	-	429	337	92
Robotics	-	75	-	75
Cyber Defense Club	-	578	578	-
Garden Club	-	600	-	600
Scholarship Fund	1,021	5,974	4,503	2,492
German Trip	240	-	-	240
Spanish Trip	1,208	6,212	5,549	1,871
H.S. Special Fees	218	1,285	608	895
Library	1,025	746	1,172	599
Middle School:				
Band	217	3,068	2,280	1,005
Boys Basketball	-	1,648	1,648	-
Boys Football	17	2,450	2,467	-
Boys Track	-	692	692	-
Boys Wrestling	-	564	564	-
Girls Basketball	-	1,456	1,456	-
Girls Volleyball	-	1,403	1,403	-
Girls Softball	-	364	364	-
Girls Track	-	794	794	-
Office Resale	-	897	897	-
Class Pictures	921	20,146	19,098	1,969
8th Grade Musical	1,784	517	659	1,642
Strings	-	96	11	85
Student Council	493	14,171	12,897	1,767
Yearbook	2,549	4,945	4,176	3,318
Science Olympiad	-	3,320	3,095	225
Special Fees	1,378	1,000	1,000	1,378
Birthday Books	69	2,605	2,631	43

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary:				
Class Pictures	\$ 6,165	\$ 8,217	\$ 7,540	\$ 6,842
Strings	-	303	303	-
We Tap	3,675	1,525	5,200	-
Field Trips	493	1,544	2,037	-
Foundation Grants	673	2,321	2,994	-
Birthday Books	1,187	1,732	992	1,927
Total	\$ <u>56,159</u>	\$ <u>298,149</u>	\$ <u>299,452</u>	\$ <u>54,856</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>2,017</u>	\$ <u>12,615</u>	\$ <u>10,614</u>	\$ <u>4,018</u>
Liabilities				
Other payables	\$ <u>2,017</u>	\$ <u>12,615</u>	\$ <u>10,614</u>	\$ <u>4,018</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,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 4,585,983	\$ 3,434,909	\$ 3,230,451	\$ 3,048,884
Tuition	1,400,687	1,306,157	1,203,706	1,228,175
Other	595,915	909,387	879,232	556,514
State sources	5,292,122	4,793,250	4,519,836	4,496,276
Federal sources	432,670	261,517	550,467	146,445
Total revenues	<u>\$ 12,307,377</u>	<u>\$ 10,705,220</u>	<u>\$ 10,383,692</u>	<u>\$ 9,476,294</u>
Expenditures:				
Instruction	\$ 6,433,667	\$ 6,677,440	\$ 6,044,316	\$ 5,439,988
Support services:				
Student services	407,570	193,632	187,837	196,895
Instructional staff services	434,847	276,986	260,544	387,478
Administration services	1,138,812	1,110,943	1,002,951	780,717
Operation and maintenance of plant services	892,467	829,924	847,901	830,463
Transportation services	402,906	401,843	335,563	312,541
Non-instructional programs	-	-	-	716
Other expenditures:				
Facilities acquisition	1,238,509	1,536,328	9,250,683	1,816,041
Long-term debt:				
Principal	600,000	555,000	375,000	510,000
Interest and fiscal charges	449,826	447,438	387,031	405,920
AEA flowthrough	346,567	314,749	290,296	288,897
Total expenditures	<u>\$ 12,345,171</u>	<u>\$ 12,344,283</u>	<u>\$ 18,982,122</u>	<u>\$ 10,969,656</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Safe and Drug Free Schools and Communities - National Programs	84.184	FY 08	\$ <u>284,434</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	14,139
National School Lunch Program	10.555	FY 08	99,310
National School Lunch Program (non-cash)	10.555	FY 08	<u>7,612</u>
			<u>121,061</u>
U. S. Department of Homeland Security: Iowa Department of Public Defense: Disaster Grants - Public Assistance	97.036	DR-1737	<u>4,336</u>
U. S. Department of Education: Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	4554G	<u>47,114</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>2,463</u>
Special Education - State Personnel Development	84.323	FY 08	<u>2,045</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>19,680</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>8,554</u>
State Grants for Innovative Programs	84.298	FY 08	<u>1,488</u>
Grant Wood Area Education Agency: Special Education - Grants to States	84.027	FY 08	<u>50,161</u>
Safe and Drug Free Schools and Communities - National Programs	84.184	FY 08	<u>2,700</u>
Career and Technical Education - Basic Grants to States	84.048	FY 08	<u>6,357</u>
Total			\$ <u><u>550,393</u></u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Basis of Presentation –

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mount Vernon Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 11, 2008. 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.

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 II of the accompanying Schedule of Findings and Questioned Costs 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. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Vernon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Mount Vernon Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa
December 11, 2008

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

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

Compliance

We have audited the compliance of Mount Vernon Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Mount Vernon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mount Vernon Community School District's management. Our responsibility is to express an opinion on Mount Vernon Community School District's compliance based on our audit.

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

In our opinion, Mount Vernon Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa
December 11, 2008

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.184 – Safe and Drug Free Schools and Communities – National Programs
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mount Vernon Community School District did not qualify as a low-risk auditee.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliation, posting of the cash receipts journal, check signing, 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.

II-B-08 Disbursements – Out of forty-one disbursements examined in our disbursement test, one was only partially supported by an invoice or receipt and one was only supported by a purchase order. 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.

II-C-08 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 AND QUESTIONED COSTS

Year Ended June 30, 2008

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

Significant Deficiencies (continued):

- II-D-08 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. We have implemented a review process, but it is not an official written policy yet.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 84.184: Safe and Drug Free Schools and Communities – National Programs

Federal Award Year: 2008

U.S. Department of Education

III-A-08 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, posting of the cash receipts journal, check signing, and payroll are all done by the same person.

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

Response – We will investigate available alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 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. However, the interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State rate setting committee.

Recommendation – The District should be aware of current allowable rates to ensure that at least the minimum rate is received for all investments. The certificate of deposit, when renewed, should be renewed at a rate of interest that conforms with current minimum rates for public funds on the renewal date.

Response – The certificate of deposit will be renewed at an allowable rate. We did check the state minimum interest rates on the State Treasurer’s website when this certificate of deposit was last renewed. However, the website listed the minimum rates that were effective a few days later and not the current rates so the minimum rate was not met.

Conclusion – Response accepted.

- IV-I-08 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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

- IV-J-08 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 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.