

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, 2009

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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 2008 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>Board of Education</u>		
(After September 2008 Election)		
Thomas Wieseler	President	2009
Bob Penn	Vice President	2011
John Cochrane	Board Member	2009
Paul Morf	Board Member	2009
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
Ann Stoner	Board Member	2011
<u>School Officials</u>		
Jeff Schwiebert	Superintendent	2009
Matt Burke	District Secretary/Treasurer	2009
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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2009 on our consideration of Mount Vernon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is 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 50 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Vernon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein). For the three years ended June 30, 2008, 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 25, 2009

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,864,340 in fiscal 2008 to \$10,329,676 in fiscal 2009, while General Fund expenditures increased from \$9,520,669 in fiscal 2008 to \$10,368,750 in fiscal 2009. The District's General Fund balance decreased from \$567,638 in fiscal 2008 to \$529,070 in fiscal 2009, a 7% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in state aid 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 increased funding from the State of Iowa teacher salary improvement program.
- In August of 2008, the School Board approved a renewal of a 10% instructional support levy for a five year period beginning July 1, 2011.
- In 2009 the District completed work on facility renovation projects at the elementary school and the middle school primarily for the replacement of the roofs.

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.

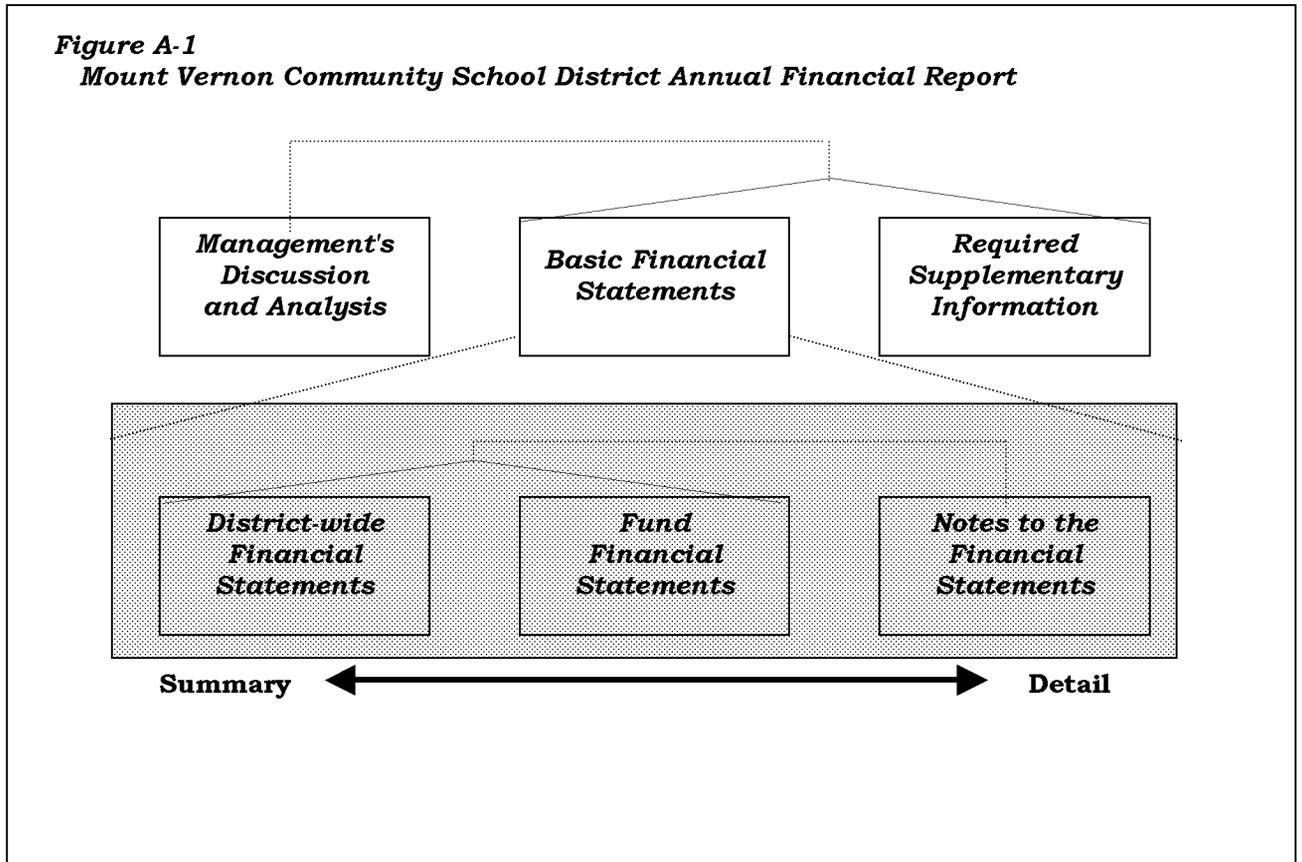


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2009 as compared to June 30, 2008.

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

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$7,682	\$9,008	\$88	\$98	\$7,770	\$9,106	-\$1,336
Capital assets	18,124	16,805	153	170	18,277	16,975	1,302
Total assets	25,806	25,813	241	268	26,047	26,081	-34
Long-term liabilities	11,405	12,035	-	-	11,405	12,035	-630
Other liabilities	4,670	4,871	22	19	4,692	4,890	-198
Total liabilities	16,075	16,906	22	19	16,097	16,925	-828
Net assets:							
Invested in capital assets, Net of related debt	6,719	6,714	153	171	6,872	6,885	-13
Restricted	2,219	1,368	-	-	2,219	1,368	851
Unrestricted	793	824	66	78	859	902	-43
Total net assets	9,731	8,906	219	249	9,950	9,155	795

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, 2009 as compared to June 30, 2008.

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, 2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
Revenues:							
Program revenues:							
Charges for service	\$1,880	1,842	\$532	\$509	2,412	\$2,351	2.6%
Operating grants, contributions and restricted interest	1,660	1,371	133	127	1,793	1,498	19.7%
Capital grants, contributions and restricted interest	66	-	-	-	66	-	100.0%
General revenues:							
Property tax	3,287	3,268	-	-	3,287	3,268	0.6%
Local option sales and service tax	950	981	-	-	950	981	-3.2%
Unrestricted state grants	4,604	4,361	-	-	4,604	4,361	5.6%
Unrestricted investment earnings	62	121	1	2	63	123	-48.8%
Other	458	366	-	-	458	366	25.1%
Total revenues	12,967	12,310	666	638	13,633	12,948	5.3%
Program expenses:							
Governmental activities:							
Instruction	7,160	6,532	-	-	7,160	6,532	9.6%
Support services	3,571	3,216	-	-	3,571	3,216	11.0%
Non-instructional programs	-	-	696	683	696	683	1.9%
Other expenses	1,411	1,194	-	-	1,411	1,194	18.2%
Total expenses	12,142	10,942	696	683	12,838	11,625	10.4%
Change in net assets	\$825	1,368	(30)	\$(45)	795	\$1,323	-39.9%

Property tax and unrestricted state grants account for 61% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total governmental activities expenses.

Overall net assets increased \$795,004 for the current year.

Governmental Activities

Revenues for governmental activities were \$12,966,914 and expenses were \$12,142,062.

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>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Instruction	\$6,532	7,160	4,104	4,436
Support services	3,216	3,571	2,787	3,135
Non-instructional programs	-	-	-	-
Other expenses	1,194	1,411	838	965
Totals	\$10,942	12,142	7,729	8,536

The cost financed by users of the District's programs was \$1,880,309.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,659,840.
- The net cost of governmental activities was financed with \$4,597,901 in property and other taxes and \$4,604,334 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$666,260 and expenses were \$696,108. 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, 2009, the School Board approved an increase in meal prices for the 2008-2009 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 \$2,810,435 as compared to last year's ending fund balances of \$3,894,455. The primary reason for the decrease was the increase in facilities renovation expenditures.

Governmental Fund Highlights

- General Fund revenues increased from \$9,864,340 in fiscal 2008 to \$10,329,676 in fiscal 2009, while General Fund expenditures increased from \$9,520,669 in fiscal 2008 to \$10,368,750 in fiscal 2009. The District's General Fund balance decreased from \$567,638 in fiscal 2008 to \$529,070 in fiscal 2009, a 7% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in state aid 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 increased funding from the State of Iowa teacher salary improvement program.
- In August of 2008, the School Board approved a renewal of a 10% instructional support levy for a five year period beginning July 1, 2011.
- In 2009 the District completed work on facility renovation projects at the elementary school and the middle school primarily for the replacement of the roofs.

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, 2009, the District had invested \$18.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$644,042.

The original cost of the District's capital assets was \$23.5 million, primarily in the governmental funds.

Figure A-6

Capital Assets, net of Depreciation (Expressed in Thousands)

	Governmental Activities June 30, <u>2009</u>		Business type Activities June 30, <u>2008</u>		Total District June 30, <u>2009</u>		Total Change June 30, <u>2008-2009</u>
	2008		2009	2008	2008		
Land	\$358	298	-	-	358	298	60
Construction in progress	-	1,088	-	-	-	1,088	-1,088
Buildings	17,022	14,727	-	-	17,022	14,727	2,295
Improvements other than buildings	249	177	-	-	249	177	72
Furniture and equipment	495	515	153	170	648	685	-37
Totals	18,124	16,805	153	170	18,277	16,975	1,302

Long-Term Debt

At June 30, 2009, the District had \$11,405,000 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 6 to the financial statements.

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

	Total District June 30, <u>2009</u>		Total Change June 30, <u>2008-2009</u>
	2008	2008	
General obligation bonds	\$7,320	7,665	(345)
Local sales tax bonds	\$3,170	3,170	-
Energy Loan Notes	430	485	(55)
Capital Loan Notes	485	715	(230)
Totals	11,405	12,035	(630)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,343,601	\$ 73,265	\$ 3,416,866
Receivables:			
Property tax:			
Current year	36,658	-	36,658
Succeeding year	3,535,210	-	3,535,210
Income surtax	282,520	-	282,520
Accounts	4,075	-	4,075
Due from other governments	480,135	9,165	489,300
Inventories	-	5,248	5,248
Capital assets, net of accumulated depreciation (note 5)	18,124,300	153,119	18,277,419
Total assets	25,806,499	240,797	26,047,296
Liabilities			
Accounts payable	186,422	1,284	187,706
Salaries and benefits payable	834,054	10,364	844,418
Accrued interest payable	80,934	-	80,934
Deferred revenue:			
Succeeding year property tax	3,535,210	-	3,535,210
Other	33,558	10,467	44,025
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	745,000	-	745,000
Notes payable	295,000	-	295,000
Portion due after one year:			
Bonds payable	9,745,000	-	9,745,000
Notes payable	620,000	-	620,000
Total liabilities	16,075,178	22,115	16,097,293

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 6,719,300	\$ 153,119	\$ 6,872,419
Restricted for:			
Categorical funding	18,210	-	18,210
Management levy	92,575	-	92,575
Physical plant and equipment levy	101,267	-	101,267
Other special revenue purposes	39,554	-	39,554
Debt service	748,736	-	748,736
Capital projects	1,218,299	-	1,218,299
Unrestricted	<u>793,380</u>	<u>65,563</u>	<u>858,943</u>
Total net assets	<u>\$ 9,731,321</u>	<u>\$ 218,682</u>	<u>\$ 9,950,003</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 7,160,317	\$ 1,840,448	\$ 883,871	\$ -
Support services:				
Student services	502,479	-	382,800	-
Instructional staff services	466,437	-	18,688	-
Administration services	1,338,216	15,761	-	-
Operation and maintenance of plant services	911,302	14,308	-	-
Transportation services	352,611	2,325	1,630	-
	<u>3,571,045</u>	<u>32,394</u>	<u>403,118</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	99,982	7,467	-	65,501
Long-term debt interest and fiscal charges	487,675	-	-	-
AEA flowthrough	372,851	-	372,851	-
Depreciation (unallocated) *	450,192	-	-	-
	<u>1,410,700</u>	<u>7,467</u>	<u>372,851</u>	<u>65,501</u>
Total governmental activities	<u>12,142,062</u>	<u>1,880,309</u>	<u>1,659,840</u>	<u>65,501</u>
Business-Type Activities:				
Support services:				
Administration services	<u>319</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,435,998)	\$ -	\$ (4,435,998)
(119,679)	-	(119,679)
(447,749)	-	(447,749)
(1,322,455)	-	(1,322,455)
(896,994)	-	(896,994)
(348,656)	-	(348,656)
(3,135,533)	-	(3,135,533)
(27,014)	-	(27,014)
(487,675)	-	(487,675)
-	-	-
(450,192)	-	(450,192)
(964,881)	-	(964,881)
(8,536,412)	-	(8,536,412)
-	(319)	(319)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 578,815	\$ 434,331	\$ 132,749	\$ -
Daycare operations	78,337	63,491	-	-
Summer daycare operations	38,637	34,402	-	-
	<u>695,789</u>	<u>532,224</u>	<u>132,749</u>	<u>-</u>
Total business-type activities	<u>696,108</u>	<u>532,224</u>	<u>132,749</u>	<u>-</u>
Total	<u>\$ 12,838,170</u>	<u>\$ 2,412,533</u>	<u>\$ 1,792,589</u>	<u>\$ 65,501</u>

General Revenues:

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

Total general revenues

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
\$ -	\$ (11,735)	\$ (11,735)
-	(14,846)	(14,846)
-	(4,235)	(4,235)
-	(30,816)	(30,816)
-	(31,135)	(31,135)
(8,536,412)	(31,135)	(8,567,547)
\$ 2,246,755	\$ -	\$ 2,246,755
693,601	-	693,601
346,337	-	346,337
360,725	-	360,725
950,483	-	950,483
4,604,334	-	4,604,334
61,716	1,287	63,003
97,313	-	97,313
9,361,264	1,287	9,362,551
824,852	(29,848)	795,004
8,906,469	248,530	9,154,999
\$ 9,731,321	\$ 218,682	\$ 9,950,003

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 1,242,221	\$ 452,213	\$ 1,384,432	\$ 264,735	\$ 3,343,601
Receivables:					
Property tax:					
Current year	22,976	8,260	-	5,422	36,658
Succeeding year	2,323,069	688,950	-	523,191	3,535,210
Income surtax	282,520	-	-	-	282,520
Interfund receivable (note 4)	18,905	-	-	-	18,905
Accounts	3,540	-	-	535	4,075
Due from other governments	278,018	-	202,117	-	480,135
Total assets	\$ 4,171,249	\$ 1,149,423	\$ 1,586,549	\$ 793,883	\$ 7,701,104
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 168,978	\$ -	\$ 437	\$ 17,007	\$ 186,422
Salaries and benefits payable	834,054	-	-	-	834,054
Interfund payable (note 4)	-	-	-	18,905	18,905
Deferred revenue:					
Succeeding year property tax	2,323,069	688,950	-	523,191	3,535,210
Other	316,078	-	-	-	316,078
Total liabilities	3,642,179	688,950	437	559,103	4,890,669
Fund balances:					
Reserved for:					
Categorical funding	18,210	-	-	-	18,210
Debt service	-	23,249	-	-	23,249
Local option sales and services tax sinking fund	-	437,224	-	-	437,224
Local option sales and services tax revenue bonds	-	-	317,000	-	317,000
Unreserved, reported in:					
General fund	510,860	-	-	-	510,860
Special revenue funds	-	-	-	234,780	234,780
Capital projects fund	-	-	1,269,112	-	1,269,112
Total fund balances	529,070	460,473	1,586,112	234,780	2,810,435
Total liabilities and fund balances	\$ 4,171,249	\$ 1,149,423	\$ 1,586,549	\$ 793,883	\$ 7,701,104

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, 2009

Total fund balances of governmental funds		\$ 2,810,435
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		18,124,300
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.		(80,934)
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>(11,405,000)</u>
Net assets of governmental activities		<u><u>\$ 9,731,321</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, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,485,672	\$ 693,329	\$ 950,483	\$ 467,104	\$ 4,596,588
Tuition	1,470,733	-	36,692	-	1,507,425
Other	109,708	6,002	-	422,666	538,376
State sources	5,701,389	272	-	184	5,701,845
Federal sources	562,174	-	-	-	562,174
Total revenues	<u>10,329,676</u>	<u>699,603</u>	<u>987,175</u>	<u>889,954</u>	<u>12,906,408</u>
Expenditures:					
Current:					
Instruction	6,707,377	-	7,917	342,470	7,057,764
Support services:					
Student services	502,479	-	-	-	502,479
Instructional staff services	376,381	-	117,175	-	493,556
Administration services	1,191,761	-	-	161,987	1,353,748
Operation and maintenance of plant services	897,856	-	-	28,056	925,912
Transportation services	320,045	-	-	84,888	404,933
	<u>3,288,522</u>	<u>-</u>	<u>117,175</u>	<u>274,931</u>	<u>3,680,628</u>
Other expenditures:					
Facilities acquisition	-	-	1,631,754	170,514	1,802,268
Long term debt:					
Principal	-	630,000	-	-	630,000
Interest and fiscal charges	-	446,236	1,187	-	447,423
AEA flowthrough	372,851	-	-	-	372,851
	<u>372,851</u>	<u>1,076,236</u>	<u>1,632,941</u>	<u>170,514</u>	<u>3,252,542</u>
Total expenditures	<u>10,368,750</u>	<u>1,076,236</u>	<u>1,758,033</u>	<u>787,915</u>	<u>13,990,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,074)</u>	<u>(376,633)</u>	<u>(770,858)</u>	<u>102,039</u>	<u>(1,084,526)</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<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	\$ 506	\$ -	\$ -	\$ -	\$ 506
Interfund transfers in	-	825,197	-	-	825,197
Interfund transfers out	-	-	(570,879)	(254,318)	(825,197)
Total other financing sources (uses)	<u>506</u>	<u>825,197</u>	<u>(570,879)</u>	<u>(254,318)</u>	<u>506</u>
Net change in fund balances	(38,568)	448,564	(1,341,737)	(152,279)	(1,084,020)
Fund balances beginning of year	<u>567,638</u>	<u>11,909</u>	<u>2,927,849</u>	<u>387,059</u>	<u>3,894,455</u>
Fund balances end of year	<u>\$ 529,070</u>	<u>\$ 460,473</u>	<u>\$ 1,586,112</u>	<u>\$ 234,780</u>	<u>\$ 2,810,435</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, 2009

Net change in fund balances - total governmental funds \$ (1,084,020)

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	\$ 1,903,166	
Capital assets contributed by others	60,000	
Depreciation expense	<u>(644,042)</u>	1,319,124

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 630,000

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. (40,252)

Change in net assets of governmental activities \$ 824,852

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>Nonmajor Enterprise Funds</u>
Assets	
Cash and cash equivalents	\$ 73,265
Due from other governments	9,165
Inventories	5,248
Capital assets, net of accumulated depreciation (note 5)	<u>153,119</u>
Total assets	<u>240,797</u>
Liabilities	
Accounts payable	1,284
Salaries and benefits payable	10,364
Deferred revenue	<u>10,467</u>
Total liabilities	<u>22,115</u>
Net Assets	
Invested in capital assets	153,119
Unrestricted	<u>65,563</u>
Total net assets	<u>\$ 218,682</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, 2009

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>532,224</u>
Operating expenses:	
Support services:	
Administration	319
Non-instructional programs	<u>695,789</u>
	<u>696,108</u>
Operating loss	<u>(163,884)</u>
Non-operating revenues:	
Interest on investments	1,287
State sources	5,923
Federal sources	<u>126,826</u>
Total non-operating revenues	<u>134,036</u>
Change in net assets	(29,848)
Net assets beginning of year	<u>248,530</u>
Net assets end of year	\$ <u><u>218,682</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 432,560
Cash received from miscellaneous operating activities	100,890
Cash payments to employees for services	(258,302)
Cash payments to suppliers for goods or services	<u>(399,134)</u>
Net cash used by operating activities	<u>(123,986)</u>
Cash flows from non-capital financing activities:	
State grants received	5,923
Federal grants received	<u>118,340</u>
Net cash provided by non-capital financing activities	<u>124,263</u>
Cash flows from investing activities:	
Interest on investments	<u>1,287</u>
Net increase in cash and cash equivalents	1,564
Cash and cash equivalents beginning of year	<u>71,701</u>
Cash and cash equivalents end of year	<u>\$ 73,265</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (163,884)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	17,268
Commodities used	8,486
Decrease in interfund receivable	14,613
Decrease in accounts receivable	8,613
(Increase) in due from other governments	(8,262)
(Increase) in inventories	(3,495)
(Decrease) in accounts payable	(1,449)
Increase in salaries and benefits payable	3,248
Increase in deferred revenue	<u>876</u>
Net cash used by operating activities	<u>\$ (123,986)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$8,486 of federal commodities.

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2009

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>917</u>	\$ <u>21,065</u>
Liabilities:		
Accounts payable	-	113
Other payables	<u>-</u>	<u>20,952</u>
Total liabilities	<u>-</u>	<u>21,065</u>
Net assets:		
Reserved for scholarships	\$ <u><u>917</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, 2009

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest	<u>17</u>	
Total additions		<u>1,017</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>1,000</u>
Change in net assets		17
Net assets beginning of year		<u>900</u>
Net assets end of year	\$	<u><u>917</u></u>
See notes to financial statements.		

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009

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, 2009

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, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2009 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, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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, 2009.

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, 2009 consists of \$2,218,641.

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, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2009, the District had investments as follows:

	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust, Diversified Portfolio	\$ 489,883
Money market mutual funds	<u>448,403</u>
Total	<u>\$ 938,286</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in money market mutual funds are valued at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and money market mutual funds were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 570,879
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>254,318</u>
Total		<u>\$ 825,197</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, 2009

Note 4. Interfund Receivables and Payables

At June 30, 2009, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other receivables:		
General	Special Revenue: Student Activity	\$ <u>18,905</u>

The interfund balances are due to timing differences in reimbursements between funds. These interfund balances are not included on the District-wide Statement of Net Assets.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 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	\$ 60,000	\$ -	\$ 358,137
Construction in progress	<u>1,088,472</u>	-	<u>1,088,472</u>	-
Total capital assets not being depreciated	<u>1,386,609</u>	<u>60,000</u>	<u>1,088,472</u>	<u>358,137</u>
Capital assets being depreciated:				
Buildings	17,356,181	2,684,317	-	20,040,498
Improvements other than buildings	662,636	92,240	-	754,876
Furniture and equipment	<u>1,902,445</u>	<u>215,081</u>	<u>40,153</u>	<u>2,077,373</u>
Total capital assets being depreciated	<u>19,921,262</u>	<u>2,991,638</u>	<u>40,153</u>	<u>22,872,747</u>
Less accumulated depreciation for:				
Buildings	2,629,255	389,103	-	3,018,358
Improvements other than buildings	485,583	19,916	-	505,499
Furniture and equipment	<u>1,387,857</u>	<u>235,023</u>	<u>40,153</u>	<u>1,582,727</u>
Total accumulated depreciation	<u>4,502,695</u>	<u>644,042</u>	<u>40,153</u>	<u>5,106,584</u>
Total capital assets being depreciated, net	<u>15,418,567</u>	<u>2,347,596</u>	-	<u>17,766,163</u>
Governmental activities capital assets, net	<u>\$ 16,805,176</u>	<u>\$ 2,407,596</u>	<u>\$ 1,088,472</u>	<u>\$ 18,124,300</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. 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	56,659	17,268	-	73,927
Business-type activities capital assets, net	<u>\$ 170,387</u>	<u>\$ (17,268)</u>	<u>\$ -</u>	<u>\$ 153,119</u>

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

Governmental activities:	
Instruction	\$ 110,347
Support services:	
Instructional staff	37,491
Operation and maintenance of plant services	13,446
Transportation	32,566
	<u>193,850</u>
Unallocated depreciation	<u>450,192</u>
Total governmental activities depreciation expense	<u>\$ 644,042</u>
Business-type activities:	
Food service operations	<u>\$ 17,268</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 7,665,000	\$ -	\$ 345,000	\$ 7,320,000	\$ 360,000
Local Option Sales and Services Tax Revenue Bonds	3,170,000	-	-	3,170,000	385,000
Energy Loan Notes	485,000	-	55,000	430,000	55,000
Capital Loan Notes	715,000	-	230,000	485,000	240,000
Total	\$ <u>12,035,000</u>	\$ <u>-</u>	\$ <u>630,000</u>	\$ <u>11,405,000</u>	\$ <u>1,040,000</u>

Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>7,320,000</u>	\$ <u>2,917,708</u>	\$ <u>10,237,708</u>

During the year ended June 30, 2009, the District retired \$345,000 of bonds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>\$ 465,053</u>	<u>\$ 3,635,053</u>

The District pledged future local option (statewide) 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 (statewide) sales and services tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 30 to 55 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,635,053. For the current year, interest only of \$59,281 was paid on the bonds and total local option (statewide) sales and services tax revenues were \$950,483.

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.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 6. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

- 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.

Energy Loan Notes

Details of the District's June 30, 2009 energy loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 430,000</u>	<u>\$ 68,450</u>	<u>\$ 498,450</u>

Capital Loan Notes

Details of the District's June 30, 2009 capital loan notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.40 %	\$ 240,000	\$ 16,613	\$ 256,613
2011	3.45	245,000	8,452	253,452
		<u>\$ 485,000</u>	<u>\$ 25,065</u>	<u>\$ 510,065</u>

Note 7. Pension and Retirement Benefits

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Pension and Retirement Benefits (continued)

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$453,525, \$399,974, and \$354,723, respectively, equal to the required contributions for each year.

Note 8. 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 9. 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 \$372,851 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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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, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
REVENUES:						
Local sources	\$ 6,642,389	\$ 533,511	\$ 7,175,900	\$ 7,542,321	\$ 7,542,321	\$ (366,421)
State sources	5,701,845	5,923	5,707,768	5,865,666	5,865,666	(157,898)
Federal sources	562,174	126,826	689,000	702,052	702,052	(13,052)
Total revenues	12,906,408	666,260	13,572,668	14,110,039	14,110,039	(537,371)
EXPENDITURES/EXPENSES:						
Instruction	7,057,764	-	7,057,764	7,176,171	7,176,171	118,407
Support services	3,680,628	319	3,680,947	3,602,932	3,775,415	94,468
Non-instructional programs	-	695,789	695,789	787,792	787,792	92,003
Other expenditures	3,252,542	-	3,252,542	5,198,102	5,198,102	1,945,560
Total expenditures/expenses	13,990,934	696,108	14,687,042	16,764,997	16,937,480	2,250,438
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,084,526)	(29,848)	(1,114,374)	(2,654,958)	(2,827,441)	1,713,067
Other financing sources, net	506	-	506	-	-	506
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,084,020)	(29,848)	(1,113,868)	(2,654,958)	(2,827,441)	1,713,573
Balance beginning of year	3,894,455	248,530	4,142,985	4,462,455	4,462,455	(319,470)
Balance end of year	\$ <u>2,810,435</u>	\$ <u>218,682</u>	\$ <u>3,029,117</u>	\$ <u>1,807,497</u>	\$ <u>1,635,014</u>	\$ <u>1,394,103</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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 \$172,483.

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Other Supplementary Information

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 91,268	\$ 62,090	\$ 111,377	\$ 264,735
Receivables:				
Property tax:				
Current year	1,307	-	4,115	5,422
Succeeding year	158,775	-	364,416	523,191
Accounts	-	535	-	535
Total assets	\$ 251,350	\$ 62,625	\$ 479,908	\$ 793,883
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 4,166	\$ 12,841	\$ 17,007
Interfund payable	-	18,905	-	18,905
Deferred revenue:				
Succeeding year property tax	158,775	-	364,416	523,191
Total liabilities	158,775	23,071	377,257	559,103
Fund balances:				
Unreserved:				
Undesignated	92,575	39,554	102,651	234,780
Total liabilities and fund balances	\$ 251,350	\$ 62,625	\$ 479,908	\$ 793,883

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, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 120,903	\$ -	\$ 346,201	\$ 467,104
Other	17,715	327,168	77,783	422,666
State sources	49	-	135	184
Total revenues	138,667	327,168	424,119	889,954
Expenditures:				
Current:				
Instruction	-	342,470	-	342,470
Support services:				
Administration services	122,315	-	39,672	161,987
Operation and maintenance of plant services	-	-	28,056	28,056
Transportation services	-	-	84,888	84,888
Other expenditures:				
Facilities acquisition	-	-	170,514	170,514
Total expenditures	122,315	342,470	323,130	787,915
Excess (deficiency) of revenues over (under) expenditures	16,352	(15,302)	100,989	102,039
Other financing uses:				
Interfund transfers out	-	-	(254,318)	(254,318)
Net change in fund balances	16,352	(15,302)	(153,329)	(152,279)
Fund balances beginning of year	76,223	54,856	255,980	387,059
Fund balances end of year	\$ 92,575	\$ 39,554	\$ 102,651	\$ 234,780

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2009

	School Nutrition	Daycare	Summer Daycare	Total
Assets				
Cash and cash equivalents	\$ 41,204	\$ 30,131	\$ 1,930	\$ 73,265
Due from other governments	-	-	9,165	9,165
Inventories	5,248	-	-	5,248
Capital assets, net of accumulated depreciation	153,119	-	-	153,119
Total assets	<u>199,571</u>	<u>30,131</u>	<u>11,095</u>	<u>240,797</u>
Liabilities				
Accounts payable	219	547	518	1,284
Salaries and benefits payable	-	2,395	7,969	10,364
Deferred revenue	10,467	-	-	10,467
Total liabilities	<u>10,686</u>	<u>2,942</u>	<u>8,487</u>	<u>22,115</u>
Net Assets				
Invested in capital assets	153,119	-	-	153,119
Unrestricted	35,766	27,189	2,608	65,563
Total net assets	<u>\$ 188,885</u>	<u>\$ 27,189</u>	<u>\$ 2,608</u>	<u>\$ 218,682</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, 2009

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Summer Daycare</u>	<u>Total</u>
Operating revenues:				
Local sources:				
Charges for services	\$ 434,331	\$ 63,491	\$ 34,402	\$ 532,224
Operating expenses:				
Support services:				
Administration	319	-	-	319
Non-instructional programs	578,815	78,337	38,637	695,789
	<u>579,134</u>	<u>78,337</u>	<u>38,637</u>	<u>696,108</u>
Operating loss	<u>(144,803)</u>	<u>(14,846)</u>	<u>(4,235)</u>	<u>(163,884)</u>
Non-operating revenues:				
Interest on investments	401	886	-	1,287
State sources	5,923	-	-	5,923
Federal sources	126,826	-	-	126,826
Total non-operating revenues	<u>133,150</u>	<u>886</u>	<u>-</u>	<u>134,036</u>
Changes in net assets	(11,653)	(13,960)	(4,235)	(29,848)
Net assets beginning of year	<u>200,538</u>	<u>41,149</u>	<u>6,843</u>	<u>248,530</u>
Net assets end of year	<u>\$ 188,885</u>	<u>\$ 27,189</u>	<u>\$ 2,608</u>	<u>\$ 218,682</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2009

	School Nutrition	Daycare	Summer Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 432,560	\$ -	\$ -	\$ 432,560
Cash received from miscellaneous operating activities	2,647	63,491	34,752	100,890
Cash payments to employees for services	(171,448)	(60,898)	(25,956)	(258,302)
Cash payments to suppliers for goods or services	(370,702)	(15,337)	(13,095)	(399,134)
Net cash used by operating activities	<u>(106,943)</u>	<u>(12,744)</u>	<u>(4,299)</u>	<u>(123,986)</u>
Cash flows from non-capital financing activities:				
State grants received	5,923	-	-	5,923
Federal grants received	118,340	-	-	118,340
Net cash provided by non-capital financing activities	<u>124,263</u>	<u>-</u>	<u>-</u>	<u>124,263</u>
Cash flows from investing activities:				
Interest on investments	401	886	-	1,287
Net increase (decrease) in cash and cash equivalents	17,721	(11,858)	(4,299)	1,564
Cash and cash equivalents beginning of year	<u>23,483</u>	<u>41,989</u>	<u>6,229</u>	<u>71,701</u>
Cash and cash equivalents end of year	<u>\$ 41,204</u>	<u>\$ 30,131</u>	<u>\$ 1,930</u>	<u>\$ 73,265</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2009

	School Nutrition	Daycare	Summer Daycare	Total
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (144,803)	\$ (14,846)	\$ (4,235)	\$ (163,884)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	17,268	-	-	17,268
Commodities used	8,486	-	-	8,486
Decrease in interfund receivable	14,613	-	-	14,613
Decrease in accounts receivable	-	-	8,613	8,613
(Increase) in due from other governments	-	-	(8,262)	(8,262)
(Increase) in inventories	(3,495)	-	-	(3,495)
Increase (decrease) in accounts payable	112	547	(2,108)	(1,449)
Increase in salaries and benefits payable	-	1,555	1,693	3,248
Increase in deferred revenues	876	-	-	876
Net cash used in operating activities	<u>\$ (106,943)</u>	<u>\$ (12,744)</u>	<u>\$ (4,299)</u>	<u>\$ (123,986)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$8,486 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, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Drama & Speech	\$ -	\$ 1,882	\$ 1,882	\$ -
Vocal	428	675	1,103	-
Band	-	2,220	2,220	-
Fine Arts	1,405	14,880	15,573	712
Miscellaneous Athletics	-	8,638	8,638	-
Cross Country Co-Ed	-	4,774	4,774	-
Tennis Co-Ed	-	1,383	1,383	-
Boys Basketball	-	10,386	10,386	-
Boys Football	-	28,927	29,692	(765)
Boys Soccer	-	4,506	4,517	(11)
Boys Baseball	-	4,901	5,672	(771)
Boys Track	-	2,851	2,851	-
Boys Golf	-	1,132	1,389	(257)
Boys Wrestling	-	5,514	5,514	-
Girls Basketball	-	6,739	6,739	-
Girls Volleyball	-	20,662	20,662	-
Girls Soccer	-	2,914	2,920	(6)
Girls Softball	-	9,254	11,292	(2,038)
Girls Track	-	3,421	3,421	-
Office Resale	-	5,814	5,814	-
Art	1,503	5,500	6,674	329
Building Construction	670	5,877	7,465	(918)
Industrial Arts Projects	-	154	154	-
Class Pictures	846	496	1,297	45
Strings	1,350	6,086	7,436	-
Uniform/Robe Rental	3,097	1,120	4,217	-
Electric Vehicle Team	-	9,156	8,703	453
Win With Wellness	159	-	159	-
Academic Decathlon	83	2,828	2,911	-
Student Council	242	2,450	2,692	-
Chess Club	351	-	-	351
Yearbook	9,599	20,785	20,433	9,951
Class of 2005	408	-	408	-
Class of 2006	258	-	258	-
Class of 2007	237	-	237	-
Class of 2008	478	-	478	-
Class of 2009	217	266	483	-
Class of 2010	1,500	2,135	3,209	426
Class of 2011	-	1,534	-	1,534

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Cheerleading	\$ 82	\$ 13,995	\$ 14,077	\$ -
NY Trip	12	-	12	-
Musical	485	10,822	11,307	-
Fall Play	305	2,750	2,544	511
Dance Group	4,076	4,984	6,982	2,078
Athletic Resale	-	345	345	-
Audio Design	92	-	92	-
Robotics	75	7,540	6,001	1,614
Cyber Defense Club	-	826	826	-
Garden Club	600	-	420	180
Archery Club	-	2,656	2,656	-
Kids Against Hunger	-	902	-	902
Scholarship Fund	2,492	4,101	6,593	-
German Trip	240	-	-	240
Spanish Trip	1,871	4,380	5,477	774
H.S. Special Fees	895	1,177	2,072	-
Library	599	677	291	985
Middle School:				
Band	1,005	993	1,998	-
Cross Country	-	277	277	-
Boys Basketball	-	2,618	2,618	-
Boys Football	-	2,941	2,941	-
Boys Track	-	889	889	-
Boys Wrestling	-	280	280	-
Girls Basketball	-	2,159	2,159	-
Girls Volleyball	-	1,313	1,313	-
Girls Softball	-	466	610	(144)
Girls Track	-	1,455	1,455	-
Office Resale	-	905	424	481
Class Pictures	1,969	24,032	26,001	-
8th Grade Musical	1,642	523	743	1,422
Strings	85	93	178	-
Student Council	1,767	2,241	2,630	1,378
Yearbook	3,318	5,080	4,350	4,048
Science Olympiad	225	3,993	3,567	651
Canstruction	-	3,510	2,375	1,135
Activity Fund	-	929	929	-
Special Fees	1,378	5,955	1,890	5,443
Birthday Books	43	4,614	4,657	-

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary:				
Class Pictures	\$ 6,842	\$ 2,420	\$ 930	\$ 8,332
Strings	-	167	167	-
We Tap	-	1,026	1,026	-
Field Trips	-	2,377	2,377	-
Foundation Grants	-	-	-	-
Birthday Books	1,927	897	2,335	489
 Total	 \$ 54,856	 \$ 327,168	 \$ 342,470	 \$ 39,554

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, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 4,018	\$ 42,651	\$ 25,604	\$ 21,065
Liabilities				
Accounts payable	\$ -	\$ 113	\$ -	\$ 113
Other payables	4,018	42,538	25,604	20,952
Total liabilities	\$ 4,018	\$ 42,651	\$ 25,604	\$ 21,065

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 FIVE YEARS

	Modified Accrual Basis Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 4,596,588	\$ 4,585,983	\$ 3,434,909	\$ 3,230,451	\$ 3,048,884
Tuition	1,507,425	1,400,687	1,306,157	1,203,706	1,228,175
Other	538,376	595,915	909,387	879,232	556,514
State sources	5,701,845	5,292,122	4,793,250	4,519,836	4,496,276
Federal sources	562,174	432,670	261,517	550,467	146,445
Total revenues	\$ 12,906,408	\$ 12,307,377	\$ 10,705,220	\$ 10,383,692	\$ 9,476,294
Expenditures:					
Instruction	\$ 7,057,764	\$ 6,433,667	\$ 6,677,440	\$ 6,044,316	\$ 5,439,988
Support services:					
Student services	502,479	407,570	193,632	187,837	196,895
Instructional staff services	493,556	434,847	276,986	260,544	387,478
Administration services	1,353,748	1,138,812	1,110,943	1,002,951	780,717
Operation and maintenance of plant services	925,912	892,467	829,924	847,901	830,463
Transportation services	404,933	402,906	401,843	335,563	312,541
Non-instructional programs	-	-	-	-	716
Other expenditures:					
Facilities acquisition	1,802,268	1,238,509	1,536,328	9,250,683	1,816,041
Long-term debt:					
Principal	630,000	600,000	555,000	375,000	510,000
Interest and fiscal charges	447,423	449,826	447,438	387,031	405,920
AEA flowthrough	372,851	346,567	314,749	290,296	288,897
Total expenditures	\$ 13,990,934	\$ 12,345,171	\$ 12,344,283	\$ 18,982,122	\$ 10,969,656

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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 09	\$ <u>329,939</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	16,765
National School Lunch Program	10.555	FY 09	101,575
National School Lunch Program (non-cash)	10.555	FY 09	<u>8,486</u>
			<u>126,826</u>
U. S. Department of Homeland Security: Iowa Department of Public Defense: Disaster Grants - Public Assistance	97.036	DR-1737	<u>578</u>
U. S. Department of Education: Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	4554G	<u>50,312</u>
Special Education - Grants to States	84.027	FY 09	<u>2,975</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	<u>4,704</u>
Improving Teacher Quality State Grants	84.367	FY 09	<u>21,670</u>
Grants for State Assessments and Related Activities	84.369	FY 09	<u>8,288</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	<u>85,565</u>
Grant Wood Area Education Agency: Special Education - Grants to States	84.027	FY 09	<u>52,343</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	<u>5,800</u>
Total			<u>\$ <u>689,000</u></u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 25, 2009. 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, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mount Vernon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Mount Vernon Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part 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, 2009 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
November 25, 2009

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, 2009. 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, 2009.

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 operations 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
November 25, 2009

MOUNT VERNON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - 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, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank deposits, bank reconciliation, posting of the cash receipts journal, check signing, payroll and payroll reports are all done by the same person in the various funds.

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

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

Conclusion – Response accepted.

II-B-09 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 the events where prenumbered tickets were not used. We feel our gate receipt procedures in place at these events are adequate. We will consider looking into using prenumbered tickets for next year.

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, 2009

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

Significant Deficiencies (continued):

- II-C-09 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 and review form to be used for next fiscal year.

Conclusion – Response accepted.

- II-D-09 Construction Overpayment – We noted one construction contract that was overpaid by \$6,500. This overpayment was later reimbursed by the contractor.

Recommendation – The District should develop a better system of review of construction contracts and payments to ensure that contracts are not overpaid.

Response – The contractor was contacted and a full reimbursement of the overpayment was received. The employee who was in charge of the review of construction projects is no longer working for the District. We will establish stronger procedures to ensure an overpayment does not happen again.

Conclusion – Response accepted.

- II-E-09 Nontimely Deposits – We noted several athletic gate receipts that were not deposited to the bank on a timely basis.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Receipts should be turned in and deposited on at least a weekly basis.

Response – We will try to ensure that all receipts are deposited timely.

Conclusion – Response accepted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 84.010: Title I Grants to Local Educational Agencies

Federal Award Year: 2009

U.S. Department of Education

Passed through the Iowa Department of Education

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

Federal Award Year: 2009

U.S. Department of Education

III-A-09 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, 2009

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- IV-B-09 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-09 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-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-09 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-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		950,483
Expenditures/transfers out:		
None		<u>-</u>
Ending balance	\$	<u>950,483</u>

- IV-L-09 Student Activity Accounts – The District included accounts in the Special Revenue, Student Activity Fund which include activities that would more appropriately be accounted for in the General, Private Purpose Trust, Agency or Enterprise Fund.

The Iowa Department of Education's Uniform Administrative Procedures for Iowa School Officials Chapter 7, page 77, states "The Student Activity Fund shall not be used as a clearing account for the General Fund or any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents or sales, textbook/library book purchases, curricular activities, or any other revenues or expenditures more properly included in another fund. The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extra-curricular activities offered as a part of the education program for the students."

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

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

Conclusion – Response accepted.