

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA

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

JUNE 30, 2008

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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
Thomas Wieseler	President	2007
Janet Griffith	Vice President	2007
Eldean Borg	Board Member	2007
Ann Stoner	Board Member	2008
Bob Penn	Board Member	2008
John Cochrane	Board Member	2009
Paul Morf	Board Member	2009
<u>Board of Education</u>		
(After September 2007 Election)		
Thomas Wieseler	President	2009
Bob Penn	Vice President	2008
Ann Stoner	Board Member	2008
John Cochrane	Board Member	2009
Paul Morf	Board Member	2009
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
<u>School Officials</u>		
Jeff Schwiebert	Superintendent	2008
Matt Burke	District Secretary/Treasurer	2008
Guy Booth	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2008 on our consideration of Mount Vernon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Vernon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein). For the two years ended June 30, 2007, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
December 11, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

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

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

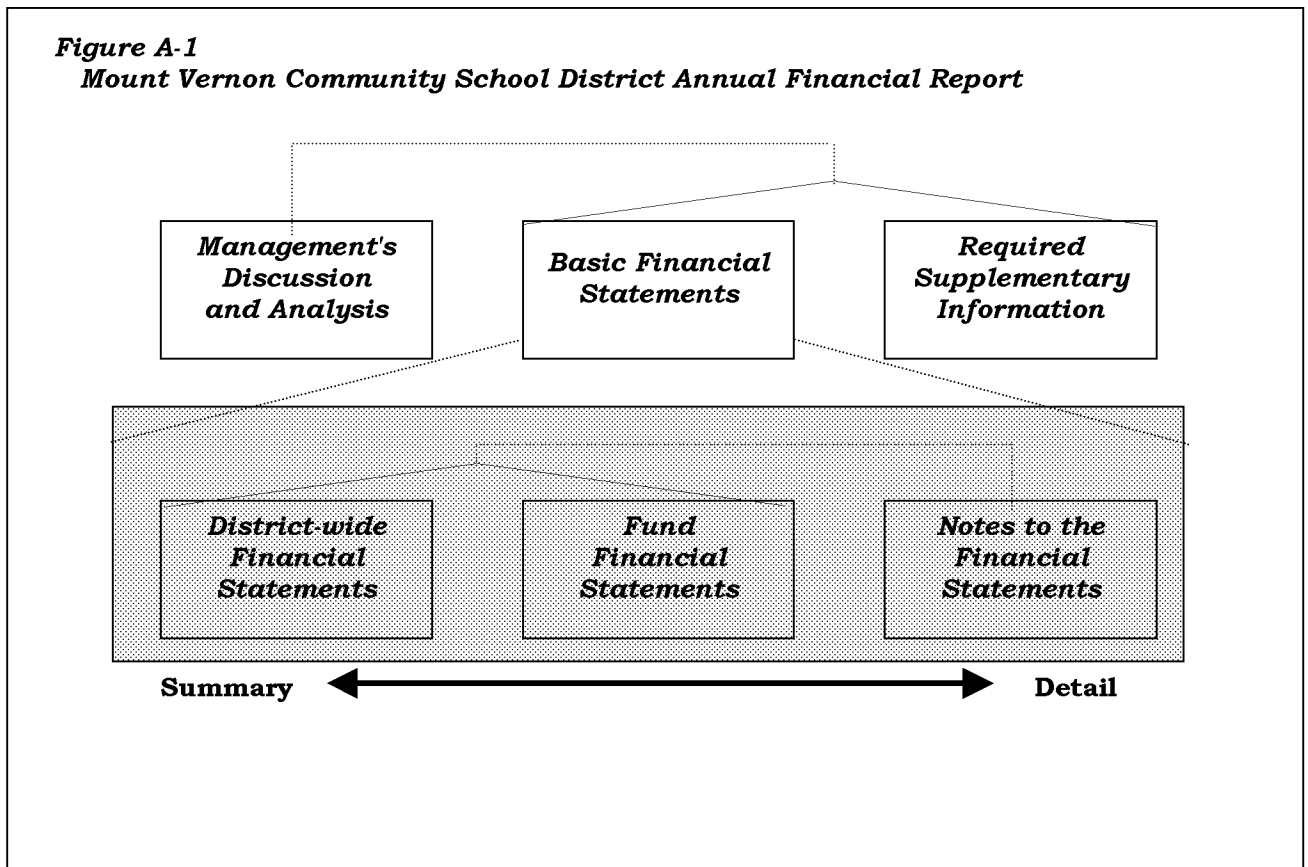




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for employee wellness program funds.

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District’s net assets at June 30, 2008 as compared to June 30, 2007.

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

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30, 2007-2008
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$9,008	\$5,688	\$98	\$121	\$9,106	\$5,809	\$3,297
Capital assets	16,805	15,996	170	188	16,975	16,184	791
Total assets	25,813	21,684	268	309	26,081	21,993	4,088
Long-term liabilities	12,035	9,465	-	-	12,035	9,465	2,570
Other liabilities	4,871	4,681	19	16	4,890	4,697	193
Total liabilities	16,906	14,146	19	16	16,925	14,162	2,763
Net assets:							
Invested in capital assets,							
Net of related debt	6,714	6,530	171	188	6,885	6,718	167
Restricted	1,368	522	-	-	1,368	522	846
Unrestricted	824	486	78	105	902	591	311
Total net assets	8,906	7,538	249	293	9,155	7,831	1,324

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

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

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

Figure A-4 shows the change in net assets for the year ended June 30, 2008 as compared to June 30, 2007.

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

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

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

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

## Governmental Activities

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

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

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

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

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

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

## Business Type Activities

Revenues for business type activities were \$638,519 and expenses were \$683,208. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the School Board approved an increase in meal prices for the 2007-2008 fiscal year to offset increasing food costs in the Nutrition Program.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,894,455 as compared to last year's ending fund balances of \$762,176. The primary reason for the increase was the increase in local option sales and services tax receipts and proceeds of construction bonds issued against future local option sales and services tax revenues.

## **Governmental Fund Highlights**

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

## BUDGETARY HIGHLIGHTS

Over the course of the year, Mount Vernon Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the safe and drug free schools and communities federal grant. No functional budget areas were exceeded at year end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$17.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$596,115.

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

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

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

### Long-Term Debt

At June 30, 2008, the District had \$12,035,000 in general obligation debt and capital loan notes outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

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

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

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

**ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

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

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

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



## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2008

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2008

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

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

Net (Expense) Revenue  
and Changes in Net Assets

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs

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General Revenues:

Property tax levied for:

    General purposes

    Debt service

    Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

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



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2008

Total fund balances of governmental funds	\$ 3,894,455
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,805,176
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	282,520
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,682)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(12,035,000)</u>
Net assets of governmental activities	<u>\$ 8,906,469</u>

See notes to financial statements.

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

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

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

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

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

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



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

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

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

Non-cash investing, capital and financing activities:

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2008

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

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2008

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

