

MONTICELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Monticello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Clyde E. Meyer	President	2004
Jeff Monck	Vice President	2005
David Ball	Board Member (Resigned)	2004
Lisa Lubben	Board Member (Appointed)	2004
Lee Hein	Board Member	2006
John Cook	Board Member	2005
Board of Education (After September 2004 Election)		
Lee Hein	President	2006
John Cook	Vice President	2005
Lisa Lubben	Board Member	2006
Jeff Monck	Board Member	2005
Jeff Hinrichs	Board Member	2007
School Officials		
Randy Achenbach	Superintendent	2005
Nancy Strang	District Secretary	2005
Connie Reyner	Comptroller	2005
Strittmatter Law Firm	Attorney	2005

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Monticello 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 Monticello Community School District, Monticello, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Monticello Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2005 on our consideration of Monticello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 39 are not required parts of the basic financial statements, but are supplementary

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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. 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 Monticello 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, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

Nolte Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

November 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monticello 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,533,861 in fiscal year 2004 to \$7,694,281 in fiscal year 2005, while General Fund expenditures increased from \$7,112,031 in fiscal 2004 to \$7,212,152 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$608,037 in fiscal 2004 to \$1,101,233 in fiscal 2005, an 81.1% increase from prior year.
- Overall, the District net assets in the governmental activities increased by \$1,030,239, and the business-type activities decreased by \$14,273, respectively.
- The September 2004 Certified Enrollment count resulted in a decrease of 15.6 students, representing a 1.5% decrease compared to the prior year.

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 Monticello 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 Monticello Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Monticello Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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 funds.

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

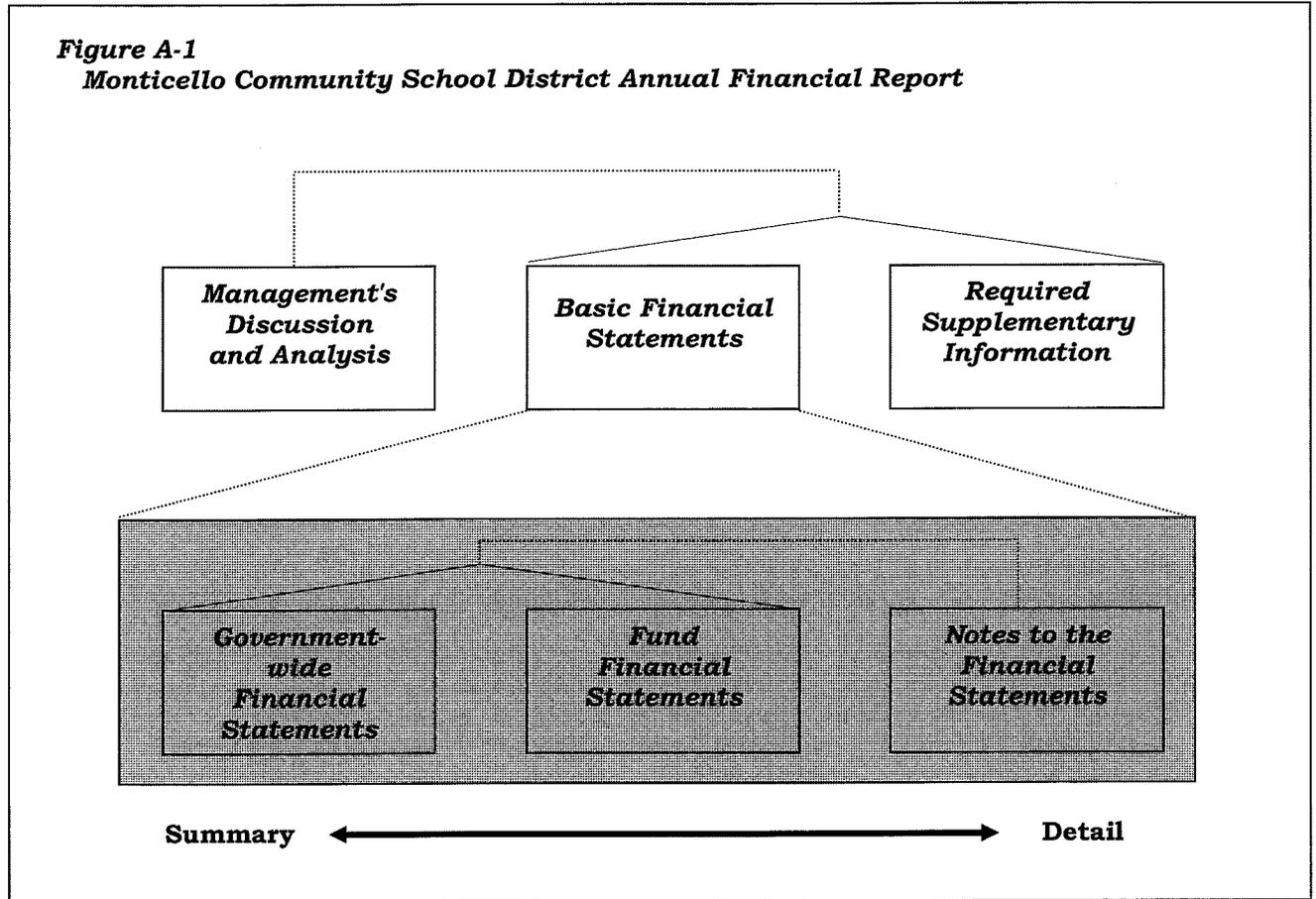


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 revenues, expenses and changes in 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, and 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 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 the 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 School Accounts Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include 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 for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 6,426,615	6,851,074	72,536	91,885	6,499,151	6,942,959	-6.39%
Capital assets	8,335,100	8,296,979	99,403	93,870	8,434,503	8,390,849	0.52%
Total assets	14,761,715	15,148,053	171,939	185,755	14,933,654	15,333,808	-2.61%
Long-term obligations	6,363,703	6,749,248	0	0	6,363,703	6,749,248	-5.71%
Other liabilities	4,134,197	5,165,229	11,473	11,016	4,145,670	5,176,245	-19.91%
Total liabilities	10,497,900	11,914,477	11,473	11,016	10,509,373	11,925,493	-11.87%
Net assets:							
Invested in capital assets, net of related debt	2,572,486	1,850,350	99,403	93,870	2,671,889	1,944,220	37.43%
Restricted	483,506	662,502	0	0	483,506	662,502	-27.02%
Unrestricted	1,207,823	720,724	61,063	80,869	1,268,886	801,593	58.30%
Total net assets	\$ 4,263,815	3,233,576	160,466	174,739	4,424,281	3,408,315	29.81%

The District's combined net assets increased by nearly 30% over the prior year. The largest portion of the District's net assets is the invested in capital assets, 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. The District's restricted net assets decreased approximately 27% over the prior year. The decrease was primarily the result a decrease in the Special Revenue, Physical Plant and Equipment Levy fund balance.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased approximately 58% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 920,565	863,278	248,084	246,525	1,168,649	1,109,803	5.30%
Operating grants and contributions and restricted interest	826,749	915,706	137,338	136,972	964,087	1,052,678	-8.42%
Capital grants and contributions and restricted interest	0	140,937	0	0	0	140,937	-100.00%
General revenues:							
Property tax	3,892,661	3,734,935	0	0	3,892,661	3,734,935	4.22%
Local option sales and service tax	478,542	426,900	0	0	478,542	426,900	12.10%
Unrestricted state grants	3,356,029	3,281,378	0	0	3,356,029	3,281,378	2.27%
Other	52,608	27,510	2,733	534	55,341	28,044	97.34%
Total revenues	9,527,154	9,390,644	388,155	384,031	9,915,309	9,774,675	1.44%
Program expenses:							
Governmental activities:							
Instructional	4,874,320	4,839,374	0	0	4,874,320	4,839,374	0.72%
Support services	2,568,249	2,562,215	0	0	2,568,249	2,562,215	0.24%
Non-instructional programs	0	0	402,428	382,530	402,428	382,530	5.20%
Other expenses	1,054,346	1,107,087	0	0	1,054,346	1,107,087	-4.76%
Total expenses	8,496,915	8,508,676	402,428	382,530	8,899,343	8,891,206	0.09%
Changes in net assets	1,030,239	881,968	(14,273)	1,501	1,015,966	883,469	15.00%
Net assets beginning of year	3,233,576	2,351,608	174,739	173,238	3,408,315	2,524,846	34.99%
Net assets end of year	\$ 4,263,815	3,233,576	160,466	174,739	4,424,281	3,408,315	29.81%

Property tax, local option sales and services tax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,527,154 and expenses were \$8,496,915.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,874,320	3,480,684
Support services	2,568,249	2,509,113
Other expenses	1,054,346	759,804
Totals	\$ 8,496,915	6,749,601

- The cost financed by users of the District's programs was \$920,565.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$826,749.
- The net cost of governmental activities was financed with \$3,892,661 in property tax, \$478,542 in local option sales and services tax, \$3,356,029 in unrestricted state grants and \$45,051 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$388,155 and expenses were \$402,428. The District's business-type activities include the School Nutrition Fund and School Accounts Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Monticello 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 combined fund balances of \$2,220,827, above last year's ending fund balances of \$1,615,866.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increase in the tax levy, as well as, state grants and tuition revenues during the year, resulted in an increase in revenues. The increase in revenues was enough to offset the District's increase in expenditures ensuring the increase of the District's financial position.
- The increase in the tax levy for debt service allowed the Debt Service Fund to pay for a larger portion of the general obligation bond payments from local taxes rather than transferring monies from the Capital Projects Fund. This allowed the Capital Projects fund balance to increase from \$202,584 to \$471,008 during the year.
- The Special Revenue, Management Levy fund balance increased again in fiscal year 2005. Revenues decreased during the year; however, revenues still exceeded expenditures allowing for the increase in fund balance.
- The Special Revenue, Physical Plant and Equipment Levy fund balance decreased \$177,824 to an ending balance of \$218,409. This was the result of the purchase of land and new buses during the year.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$170,020 at June 30, 2004 to \$155,109 at June 30, 2005, representing a decrease of 8.8%. The School Accounts Fund net assets increased from \$4,719 to \$5,357, representing an increase of 13.5%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$248,330 more than budgeted revenues, a variance of 2.5%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$8,434,503, 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 capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$404,691.

The original cost of the District's capital assets was \$15,570,549. Governmental funds account for \$15,370,320 with the remainder of \$200,229 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$23,390 at June 30, 2004 compared to \$152,330 at June 30, 2005. This increase is due the purchase of land through the PPEL Fund during the year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 152,330	23,390	0	0	152,330	23,390	551.26%
Buildings	6,925,581	7,081,531	0	0	6,925,581	7,081,531	-2.20%
Land improvements	949,710	934,987	0	0	949,710	934,987	1.57%
Machinery and equipment	307,479	257,071	99,403	93,870	406,882	350,941	15.94%
Total	\$ 8,335,100	8,296,979	99,403	93,870	8,434,503	8,390,849	0.52%

Long-Term Debt

At June 30, 2005, the District had \$6,363,703 in other long-term debt outstanding. This represents a decrease of 5.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$6,260,000 at June 30, 2005.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$39,233, which is a decrease of 50.5% from the prior year.

The District also has one payment left for the land purchased during the year.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 6,260,000	6,670,000	-6.1%
Land purchase	64,470	0	100.0%
Early retirement	39,233	79,248	-50.5%
Total	<u>\$ 6,363,703</u>	<u>6,749,248</u>	<u>-5.7%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten -year period, which began in fiscal year 2005.
- In the 2005-06 fiscal year, the District passed a \$5,440,000 crossover refunding bond.

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 Connie Reyner, District Comptroller, Monticello Community School District, 711 South Maple Street, Monticello, Iowa, 52310.

BASIC FINANCIAL STATEMENTS

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,331,719	69,336	2,401,055
Receivables:			
Property tax:			
Delinquent	47,587	0	47,587
Succeeding year	3,660,229	0	3,660,229
Income surtax	125,730	0	125,730
Accounts	7,013	62	7,075
Accrued interest	77	0	77
Due from other governments	133,978	0	133,978
Prepaid expenses	120,282	0	120,282
Inventories	0	3,138	3,138
Capital assets, net of accumulated depreciation (Note 4)	8,335,100	99,403	8,434,503
TOTAL ASSETS	14,761,715	171,939	14,933,654
LIABILITIES			
Accounts payable	110,369	568	110,937
Interest payable	54,139	0	54,139
Salaries and benefits payable	309,460	5,368	314,828
Deferred revenue:			
Succeeding year property tax	3,660,229	0	3,660,229
Other	0	5,537	5,537
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	435,000	0	435,000
Land purchase	64,470	0	64,470
Early retirement	39,233	0	39,233
Portion due after one year:			
General obligation bonds	5,825,000	0	5,825,000
TOTAL LIABILITIES	10,497,900	11,473	10,509,373
NET ASSETS			
Investment in capital assets, net of related debt	2,572,486	99,403	2,120,364
Restricted for:			
Talanted and gifted	104	0	104
Early intervention	10,199	0	10,199
Teacher quality	1,960	0	1,960
Medicaid	6,877	0	6,877
Physical plant & equipment levy	153,939	0	153,939
Management levy	225,127	0	225,127
Other special revenue purposes	85,300	0	85,300
Unrestricted	1,207,823	61,063	1,820,411
TOTAL NET ASSETS	\$ 4,263,815	160,466	4,424,281

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,913,228	278,880	517,899
Special instruction	1,090,635	169,288	0
Other instruction	870,457	427,569	0
	<u>4,874,320</u>	<u>875,737</u>	<u>517,899</u>
Support services:			
Student services	319,617	0	0
Instructional staff services	238,351	0	0
Administration services	801,566	0	0
Operation and maintenance of plant services	779,824	0	0
Transportation services	428,891	44,828	14,308
	<u>2,568,249</u>	<u>44,828</u>	<u>14,308</u>
Other expenditures:			
Facilities acquisitions	148,564	0	0
Long-term debt interest	342,501	0	0
AEA flowthrough	294,542	0	294,542
Depreciation (unallocated) *	268,739	0	0
	<u>1,054,346</u>	<u>0</u>	<u>294,542</u>
Total governmental activities	8,496,915	920,565	826,749
Business-Type activities:			
Non-instructional programs:			
Nutrition services	402,295	247,313	137,338
School accounts	133	771	0
Total business-type activities	<u>402,428</u>	<u>248,084</u>	<u>137,338</u>
Total	<u>\$ 8,899,343</u>	<u>1,168,649</u>	<u>964,087</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt services
 Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings
Gain on sale of materials

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(2,116,449)	0	(2,116,449)
(921,347)	0	(921,347)
(442,888)	0	(442,888)
<u>(3,480,684)</u>	<u>0</u>	<u>(3,480,684)</u>
(319,617)	0	(319,617)
(238,351)	0	(238,351)
(801,566)	0	(801,566)
(779,824)	0	(779,824)
(369,755)	0	(369,755)
<u>(2,509,113)</u>	<u>0</u>	<u>(2,509,113)</u>
(148,564)	0	(148,564)
(342,501)	0	(342,501)
0	0	0
(268,739)	0	(268,739)
<u>(759,804)</u>	<u>0</u>	<u>(759,804)</u>
(6,749,601)	0	(6,749,601)
0	(17,644)	(17,644)
0	638	638
<u>0</u>	<u>(17,006)</u>	<u>(17,006)</u>
<u>(6,749,601)</u>	<u>(17,006)</u>	<u>(6,766,607)</u>
\$ 3,090,891	0	3,090,891
262,720	0	262,720
539,050	0	539,050
478,542	0	478,542
3,356,029	0	3,356,029
45,051	2,733	47,784
7,557	0	7,557
<u>7,779,840</u>	<u>2,733</u>	<u>7,782,573</u>
1,030,239	(14,273)	1,015,966
<u>3,233,576</u>	<u>174,739</u>	<u>3,408,315</u>
<u>\$ 4,263,815</u>	<u>160,466</u>	<u>4,424,281</u>

MONTICELLO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Other				Total
	General	Management Levy	Capital Projects	Governmental Funds	
ASSETS					
Cash and pooled investments	\$ 1,394,701	141,147	397,082	398,789	2,331,719
Receivables:					
Property tax					
Delinquent	34,715	3,036	0	9,836	47,587
Succeeding year	2,616,498	300,000	0	743,731	3,660,229
Income surtax	125,730	0	0	0	125,730
Accounts	7,013	0	0	0	7,013
Accrued interest	77	0	0	0	77
Due from other governments	60,052	0	73,926	0	133,978
Prepaid expenses	0	120,282	0	0	120,282
TOTAL ASSETS	\$ 4,238,786	564,465	471,008	1,152,356	6,426,615
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 85,865	105	0	24,399	110,369
Salaries and benefits payable	309,460	0	0	0	309,460
Deferred revenue:					
Succeeding year property tax	2,616,498	300,000	0	743,731	3,660,229
Income surtax	125,730	0	0	0	125,730
Total liabilities	3,137,553	300,105	0	768,130	4,205,788
Fund balances:					
Reserved for:					
Debt service	0	0	0	80,517	80,517
Talented and gifted	104	0	0	0	104
Early intervention	10,199	0	0	0	10,199
Teacher quality	1,960	0	0	0	1,960
Medicaid	6,877	0	0	0	6,877
Prepaid expenses	0	120,282	0	0	120,282
Unreserved:					
General	1,082,093	0	0	0	1,082,093
Management levy	0	144,078	0	0	144,078
Capital projects	0	0	471,008	0	471,008
Physical plant and equipment levy	0	0	0	218,409	218,409
Other special revenue	0	0	0	85,300	85,300
Total fund balances	1,101,233	264,360	471,008	384,226	2,220,827
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,238,786	564,465	471,008	1,152,356	6,426,615

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 2,220,827
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 report as assets in in the governmental funds.	8,335,100
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(54,139)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	125,730
Long-term liabilities, including bonds payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,363,703)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 4,263,815</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Management Levy	Capital Projects	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Local property tax	\$ 2,854,442	238,210	0	801,770	3,894,422
LOSST	0	0	478,542	0	478,542
Tuition	448,168	0	0	0	448,168
Other	207,638	3,679	583	303,537	515,437
Intermediate sources	9,564	0	0	0	9,564
State sources	3,915,837	169	0	587	3,916,593
Federal sources	258,632	0	0	0	258,632
Total revenues	<u>7,694,281</u>	<u>242,058</u>	<u>479,125</u>	<u>1,105,894</u>	<u>9,521,358</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,925,560	0	0	3,250	2,928,810
Special instruction	1,090,021	0	0	0	1,090,021
Other instruction	596,417	0	0	291,641	888,058
	<u>4,611,998</u>	<u>0</u>	<u>0</u>	<u>294,891</u>	<u>4,906,889</u>
Support services:					
Student services	322,402	0	0	0	322,402
Instructional staff services	240,294	0	0	0	240,294
Administration services	753,526	43,802	0	0	797,328
Operation and maintenance of plant services	614,138	163,856	0	0	777,994
Transportation services	375,252	0	0	112,833	488,085
	<u>2,305,612</u>	<u>207,658</u>	<u>0</u>	<u>112,833</u>	<u>2,626,103</u>
Other expenditures:					
Facilities acquisitions	0	0	0	405,016	405,016
Long-term debt:					
Principal	0	0	0	410,000	410,000
Interest and fiscal charges	0	0	0	345,874	345,874
AEA flowthrough	294,542	0	0	0	294,542
	<u>294,542</u>	<u>0</u>	<u>0</u>	<u>1,160,890</u>	<u>1,455,432</u>
Total expenditures	<u>7,212,152</u>	<u>207,658</u>	<u>0</u>	<u>1,568,614</u>	<u>8,988,424</u>
Excess(deficiency) of revenues over(under) expenditures	482,129	34,400	479,125	(462,720)	532,934
Other financing sources(uses):					
Transfer in	3,510	0	0	210,701	214,211
Transfer out	0	0	(210,701)	(3,510)	(214,211)
Proceeds on loans	0	0	0	64,470	64,470
Sale of materials	7,557	0	0	0	7,557
Total other financing sources(uses)	<u>11,067</u>	<u>0</u>	<u>(210,701)</u>	<u>271,661</u>	<u>72,027</u>
Net change in fund balances	493,196	34,400	268,424	(191,059)	604,961
Fund balance beginning of year	608,037	229,960	202,584	575,285	1,615,866
Fund balance end of year	<u>\$ 1,101,233</u>	<u>264,360</u>	<u>471,008</u>	<u>384,226</u>	<u>2,220,827</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO 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, 2005

Net change in fund balances - total governmental funds (page 19)	\$	604,961
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures and depreciation expense for the current year, are as follows:		
Capital expenditures	\$ 426,620	
Depreciation expense	<u>(388,499)</u>	38,121
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		410,000
Proceeds of long-term debt provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets.		(64,470)
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, interest expense is recognized as the interest accrues, regardless of when it is due.		3,373
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(1,761)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Early retirement		<u>40,015</u>
Changes in net assets of governmental activities (page 16)	\$	<u>1,030,239</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

	School Nutrition	School Accounts	Total
ASSETS			
Cash and cash equivalents	\$ 63,979	5,357	69,336
Accounts receivable	62	0	62
Inventories	3,138	0	3,138
Capital assets, net of accumulated depreciation(Note 4)	99,403	0	99,403
TOTAL ASSETS	166,582	5,357	171,939
LIABILITIES			
Accounts payable	568	0	568
Salary and benefits payable	5,368	0	5,368
Deferred revenue:			
Other	5,537	0	5,537
	11,473	0	11,473
NET ASSETS			
Investment in capital assets	99,403	0	99,403
Unrestricted	55,706	5,357	61,063
TOTAL NET ASSETS	\$ 155,109	5,357	160,466

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition	School Accounts	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts:			
Students	\$ 234,751	0	234,751
Adults	12,562	0	12,562
Miscellaneous	0	771	771
TOTAL OPERATING REVENUES	<u>247,313</u>	<u>771</u>	<u>248,084</u>
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	143,166	0	143,166
Benefits	27,843	0	27,843
Services	7,892	0	7,892
Supplies	207,202	133	207,335
Depreciation	16,192	0	16,192
TOTAL OPERATING EXPENSES	<u>402,295</u>	<u>133</u>	<u>402,428</u>
OPERATING INCOME (LOSS)	<u>(154,982)</u>	<u>638</u>	<u>(154,344)</u>
NON-OPERATING REVENUES:			
Interest	2,733	0	2,733
State sources	5,314	0	5,314
Federal sources	132,024	0	132,024
TOTAL NON-OPERATING REVENUES	<u>140,071</u>	<u>0</u>	<u>140,071</u>
Change in net assets	(14,911)	638	(14,273)
Net assets at beginning of year	<u>170,020</u>	<u>4,719</u>	<u>174,739</u>
Net assets end of year	<u>\$ 155,109</u>	<u>5,357</u>	<u>160,466</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition	School Accounts	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 247,689	0	247,689
Cash received from miscellaneous operating activities	0	771	771
Cash payments to employees for services	(170,878)	0	(170,878)
Cash payments to suppliers for goods or services	(202,716)	(133)	(202,849)
Net cash provided by(used in) operating activities	(125,905)	638	(125,267)
Cash flows from non-capital financing activities:			
State grants received	5,314	0	5,314
Federal grants received	119,041	0	119,041
Net cash provided by non-capital financing activities	124,355	0	124,355
Cash flows from investing activities:			
Interest on investments	2,733	0	2,733
Net cash provided by investing activities	2,733	0	2,733
Cash flows from capital financing activities:			
Purchase of assets	(21,725)	0	(21,725)
Net cash used in capital financing activities	(21,725)	0	(21,725)
Net increase(decrease) in cash and cash equivalents	(20,542)	638	(19,904)
Cash and cash equivalents at beginning of year	84,521	4,719	89,240
Cash and cash equivalents at end of year	\$ 63,979	5,357	69,336
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (154,982)	638	(154,344)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	12,983	0	12,983
Depreciation	16,192	0	16,192
Increase in inventories	(493)	0	(493)
Increase in accounts receivables	(62)	0	(62)
Decrease in accounts payable	(112)	0	(112)
Increase in salaries and benefits payable	131	0	131
Increase in deferred revenue	438	0	438
Net cash provided by(used in) operating activities	\$ (125,905)	638	29,077
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 63,979	5,357	69,336
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2005, the District received Federal commodities valued at \$12,983.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 6,828</u>
LIABILITIES	
Due to other groups	<u>\$ 6,828</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Monticello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 Monticello, Iowa, and the predominate agricultural territory in Linn, Jones, Delaware and Dubuque 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, Monticello 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. The Monticello Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn, Jones, Delaware and Dubuque County Assessors' Conference Board.

B. Basis of Presentation

Government-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 support.

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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 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 that are 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 Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Management Fund is used to account for the District's property/liability insurance.

The District reports the following major proprietary funds:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

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.

C. Measurement Focus and Basis of Accounting

The government-wide, 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 fund of the District applies 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 nonoperating 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 nonoperating 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.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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. Delinquent property tax receivable represents unpaid taxes for the current and prior years. 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 Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax

accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means 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 fund financial statements represent 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 consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of 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 government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - 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.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 527</u>

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 210,701
General	Special Revenue, Physical Plant and Equipment Levy	<u>3,510</u>
Total		<u>\$ 214,211</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,390	128,940	0	152,330
Total capital assets not being depreciated	<u>23,390</u>	<u>128,940</u>	<u>0</u>	<u>152,330</u>
Capital assets being depreciated:				
Buildings	9,426,480	22,020	0	9,448,500
Land improvements	2,019,711	105,492	0	2,125,203
Machinery and equipment	3,546,284	170,168	72,165	3,644,287
Total capital assets being depreciated	<u>14,992,475</u>	<u>297,680</u>	<u>72,165</u>	<u>15,217,990</u>
Less accumulated depreciation for:				
Buildings	2,344,949	177,970	0	2,522,919
Land improvements	1,084,724	90,769	0	1,175,493
Machinery and equipment	3,289,213	119,760	72,165	3,336,808
Total accumulated depreciation	<u>6,718,886</u>	<u>388,499</u>	<u>72,165</u>	<u>7,035,220</u>
Total capital assets being depreciated, net	<u>8,273,589</u>	<u>(90,819)</u>	<u>0</u>	<u>8,182,770</u>
Governmental activities capital assets, net	<u>\$ 8,296,979</u>	<u>38,121</u>	<u>0</u>	<u>8,335,100</u>
Business-type activities:				
Machinery and equipment	\$ 178,504	21,725	0	200,229
Less accumulated depreciation	84,634	16,192	0	100,826
Business-type activities capital assets, net	<u>\$ 93,870</u>	<u>5,533</u>	<u>0</u>	<u>99,403</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 34,594
Special		614
Other		2,175
Support services:		
Student services		903
Instructional staff services		1,267
Administration services		4,238
Operation and maintenance of plant services		1,830
Transportation		74,139
		<u>119,760</u>
Unallocated depreciation		<u>268,739</u>
		<u>\$ 388,499</u>
Business-type activities:		
Food services		<u>\$ 16,192</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,670,000	0	410,000	6,260,000	435,000
Land purchase	0	64,470	0	64,470	64,470
Early retirement	79,248	0	40,015	39,233	39,233
Total	<u>\$ 6,749,248</u>	<u>64,470</u>	<u>450,015</u>	<u>6,363,703</u>	<u>538,703</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is the amount of unused sick leave time the employees per diem contract rate for teaching only. The maximum benefits for full-time staff is \$15,000. Early retirement benefits paid during the year ended June 30, 2005, totaled \$40,015.

Land Purchase

During 2005 the District purchased land for \$128,940, which is payable from the Special Revenue, Physical Plant and Equipment Levy in two payments. One of the payments has already been paid and the other will be paid during the 2005-06 fiscal year.

General Obligation Bonds Payable

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue December 16, 1996		
		Principal	Interest	Total
2006	4.875 %	\$ 215,000	162,383	377,383
2007	4.800	230,000	152,063	382,063
2008	4.900	240,000	141,023	381,023
2009	4.900	255,000	129,262	384,262
2010	5.000	270,000	116,768	386,768
2011	5.100	285,000	103,267	388,267
2012	5.200	300,000	88,733	388,733
2013	5.300	315,000	73,132	388,132
2014	5.375	330,000	56,438	386,438
2015	5.375	350,000	38,700	388,700
2016	5.375	370,000	19,888	389,888
Subtotal		\$ 3,160,000	1,081,657	4,241,657

Year Ending June 30,	Interest Rate	Bond issue March 25, 1997		
		Principal	Interest	Total
2006	5.000 %	\$ 220,000	162,448	382,448
2007	5.000	235,000	151,448	386,448
2008	5.000	245,000	139,698	384,698
2009	5.000	255,000	127,448	382,448
2010	5.150	265,000	114,698	379,698
2011	5.200	275,000	101,049	376,049
2012	5.300	290,000	86,749	376,749
2013	5.350	305,000	71,379	376,379
2014	5.400	320,000	55,062	375,062
2015	5.450	335,000	37,782	372,782
2016	5.400	355,000	19,525	374,525
Subtotal		\$ 3,100,000	1,067,286	4,167,286
Total		\$ 6,260,000	2,148,943	8,408,943

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$259,577, \$254,663, and \$246,056, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health and long-term disability.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium. The total amount of the deficit recoveries of current members is estimated to \$2.2 million. The District's share of this assessment is going to be 2% of the 2004-05 and 2005-06 premiums. As of June 30, 2005 the District had paid \$16,946 of the assessment. The remainder of the 2% assessment will be paid on a monthly basis along with the 2005-2006 premiums. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$847,323.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The 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.

(8) 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 \$294,542 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During

the year ended June 30, 2005, disbursements in the non-instructional functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 5,171,852	251,193
Intermediate sources	9,564	0
State sources	3,942,828	5,314
Federal sources	500,173	132,024
Total receipts	<u>9,624,417</u>	<u>388,531</u>
Disbursements:		
Instruction	4,940,206	0
Support services	2,799,301	0
Non-instructional programs	0	408,435
Other expenditures	1,450,694	0
Total disbursements	<u>9,190,201</u>	<u>408,435</u>
Excess(deficiency) of receipts over(under) disbursements	434,216	(19,904)
Other financing sources, net	<u>72,027</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	506,243	(19,904)
Balance beginning of year	<u>1,825,476</u>	<u>89,240</u>
Balance end of year	<u>\$ 2,331,719</u>	<u>69,336</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,423,045	5,408,896	5,408,896	14,149
9,564	0	0	9,564
3,948,142	4,004,097	4,004,097	(55,955)
632,197	351,625	351,625	280,572
<u>10,012,948</u>	<u>9,764,618</u>	<u>9,764,618</u>	<u>248,330</u>
4,940,206	5,175,000	5,175,000	234,794
2,799,301	2,942,000	2,942,000	142,699
408,435	406,000	406,000	(2,435)
1,450,694	1,705,599	1,705,599	254,905
<u>9,598,636</u>	<u>10,228,599</u>	<u>10,228,599</u>	<u>629,963</u>
414,312	(463,981)	(463,981)	878,293
72,027	200	200	71,827
486,339	(463,781)	(463,781)	950,120
1,914,716	1,701,255	1,701,255	213,461
<u>2,401,055</u>	<u>1,237,474</u>	<u>1,237,474</u>	<u>1,163,581</u>

MONTICELLO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 9,624,417	(103,059)	9,521,358
Expenses	9,190,201	(201,777)	8,988,424
Net	434,216	98,718	532,934
Other financing sources, net	72,027	0	72,027
Beginning fund balances	1,825,476	(209,610)	1,615,866
Ending fund balances	\$ 2,331,719	(110,892)	2,220,827

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 388,531	(376)	388,155
Expenses	408,435	(6,007)	402,428
Net	(19,904)	5,631	(14,273)
Beginning net assets	89,240	85,499	174,739
Ending net assets	\$ 69,336	91,130	160,466

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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 functional 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 ended June 30, 2005, expenditures in the non-instructional functional program area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue					
	Physical Plant and Equipment Levy	Student Activity	Expendable Trust	Special Revenue- Total	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 220,006	93,178	11,693	324,877	73,912	398,789
Receivables:						
Property tax:						
Current year delinquent	3,231	0	0	3,231	6,605	9,836
Succeeding year	268,900	0	0	268,900	474,831	743,731
TOTAL ASSETS	\$ 492,137	93,178	11,693	597,008	555,348	1,152,356
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 4,828	19,571	0	24,399	0	24,399
Deferred revenue:						
Succeeding year property tax	268,900	0	0	268,900	474,831	743,731
	273,728	19,571	0	293,299	474,831	768,130
Fund equity:						
Fund balances:						
Unreserved:						
Debt service	0	0	0	0	80,517	80,517
Unreserved:						
Undesignated	218,409	73,607	11,693	303,709	0	303,709
Total fund balances	218,409	73,607	11,693	303,709	80,517	384,226
TOTAL LIABILITIES AND FUND EQUITY	\$ 492,137	93,178	11,693	597,008	555,348	1,152,356

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					
	Physical Plant and Equipment Levy	Student Activity	Expendable Trust	Special Revenue- Total	Debt Service	Total Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 262,720	0	0	262,720	539,050	801,770
Other	16,152	275,353	4,085	295,590	7,947	303,537
State sources	193	0	0	193	394	587
TOTAL REVENUES	279,065	275,353	4,085	558,503	547,391	1,105,894
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	0	0	3,250	3,250	0	3,250
Other instruction	0	291,641	0	291,641	0	291,641
	0	291,641	3,250	294,891	0	294,891
Support services:						
Transportation services	112,833	0	0	112,833	0	112,833
Other expenditures:						
Facility acquisitions	405,016	0	0	405,016	0	405,016
Long-term debt:						
Principal	0	0	0	0	410,000	410,000
Interest and fiscal charges	0	0	0	0	345,874	345,874
	405,016	0	0	405,016	755,874	1,160,890
TOTAL EXPENDITURES	517,849	291,641	3,250	812,740	755,874	1,568,614
Excess(deficiency) of revenues over (under) expenditures	(238,784)	(16,288)	835	(254,237)	(208,483)	(462,720)
Other financing sources(uses):						
Transfers in	0	0	0	0	210,701	210,701
Transfers out	(3,510)	0	0	(3,510)	0	(3,510)
Proceeds on loans	64,470	0	0	64,470	0	64,470
Total other financing sources(uses)	60,960	0	0	60,960	210,701	271,661
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(177,824)	(16,288)	835	(193,277)	2,218	(191,059)
Fund balance beginning of year	396,233	89,895	10,858	496,986	78,299	575,285
Fund balance end of year	\$ 218,409	73,607	11,693	303,709	80,517	384,226

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 248	2,903	0	3,151
Elementary-all	8,140	9,750	9,637	8,253
Elementary-PE	242	0	0	242
Music	4	0	0	4
Student council	10	0	0	10
Vocal-Carpenter	1,788	674	806	1,656
JH instrumental	2,346	852	1,233	1,965
Student organization	7,729	9,478	11,852	5,355
Co-ed athletics	(2,858)	500	0	(2,358)
Yearbook-JH	282	0	0	282
HS vocal	8,620	9,493	10,935	7,178
HS instrumental	409	1,841	1,568	682
HS student organization	9,544	9,180	7,742	10,982
HS co-ed athletics	78,726	73,090	83,700	68,116
Cross country	(1,445)	0	1,206	(2,651)
Boys basketball-JH	(4,905)	0	6,672	(11,577)
Football-JH	(10,198)	0	9,336	(19,534)
Baseball-JH	(9,612)	0	(2,912)	(6,700)
Boys track-JH	(5,672)	0	(238)	(5,434)
Soccer-JH	(4,219)	0	4,612	(8,831)
Boys golf-JH	(858)	0	450	(1,308)
Wrestling-JH	(8,022)	0	(3,948)	(4,074)
Girls basketball-JH	(3,572)	0	1,255	(4,827)
Volleyball-JH	(4,088)	0	2,082	(6,170)
Softball-JH	(7,372)	0	(4,237)	(3,135)
Softball concessions	931	2,571	1,659	1,843
Girls track	(3,423)	0	547	(3,970)
Girls golf	(1,303)	0	504	(1,807)
Paw prints	340	0	0	340
Model UN	104	0	0	104
Cheerleader	3,057	13,513	8,754	7,816
Dance team	1,408	9,601	11,337	(328)
Speech and drama	5,305	11,841	13,183	3,963
HS music	2,791	3,366	3,209	2,948
Boys basketball-HS	(155)	708	586	(33)
Football-HS	(143)	2,258	2,060	55
Baseball-HS	724	0	0	724
Girls basketball-HS	1,651	5,238	6,843	46
Volleyball-HS	610	2,963	1,985	1,588
Girls golf-HS	0	105	252	(147)
Student council-HS	3,525	2,511	4,001	2,035
Yearbook-HS	(15,893)	15,460	12,584	(13,017)
Job olympics	11	0	0	11

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Montisports.org	510	0	0	510
Sixth grade	1,568	1,442	888	2,122
7th grade	0	12,356	7,388	4,968
8th grade	3,684	7,346	8,412	2,618
Freshman	1,886	0	45	1,841
Sophomore	1,345	0	0	1,345
Junior	1,406	7,978	7,263	2,121
Senior	3,637	0	2,249	1,388
FFA	15,018	47,162	45,213	16,967
FHI	353	0	0	353
Science club	175	157	0	332
BPA	1,129	9,748	10,202	675
M-club	409	0	0	409
Coffee club	1,922	340	520	1,742
Camera club	1,046	0	0	1,046
International club	1,000	928	206	1,722
Total	\$ 89,895	275,353	291,641	73,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 EXPENDABLE TRUST FUNDS
 JUNE 30, 2005

	Farm Scholarship	Capenter Trust	Burrichter Memorial	Zubler Memorial	Total
ASSETS					
Cash and pooled investments	\$ 500	7,643	2,424	1,126	11,693
TOTAL ASSETS	\$ 500	7,643	2,424	1,126	11,693
LIABILITIES AND FUND EQUITY					
Liabilities:	\$ 0	0	0	0	0
Fund equity:					
Fund balances:					
Unreserved, undesignated	500	7,643	2,424	1,126	11,693
TOTAL LIABILITIES AND FUND EQUITY	\$ 500	7,643	2,424	1,126	11,693

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 EXPENDABLE TRUST FUNDS
 YEAR ENDED JUNE 30, 2005

	Farm Scholarship	Capenter Trust	Burrichter Memorial	Zubler Memorial	Total
REVENUES:					
Local sources:					
Interest on investments	\$ 0	3,055	30	0	3,085
Donation	500	0	0	500	1,000
TOTAL REVENUES	500	3,055	30	500	4,085
EXPENDITURES:					
Instruction:					
Other	500	2,250	0	500	3,250
NET CHANGE IN FUND BALANCE	0	805	30	0	835
FUND BALANCE BEGINNING OF YEAR	500	6,838	2,394	1,126	10,858
FUND BALANCE END OF YEAR	\$ 500	7,643	2,424	1,126	11,693

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance		Balance	
	Beginning		End	
	of Year	Additions	Deletions	of Year
ASSETS				
Cash and pooled investments	\$ 5,757	25,179	24,108	6,828
LIABILITIES				
Due to other groups	\$ 5,757	25,179	24,108	6,828

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 4,372,964	4,134,270	3,992,086	3,650,298
Tuition	448,168	421,871	308,226	331,348
Other	515,437	453,113	446,443	384,664
Intermediate sources	9,564	11,500	0	6,810
State sources	3,916,593	3,871,736	4,103,771	3,746,027
Federal sources	258,632	466,285	182,028	169,289
Total	<u>\$ 9,521,358</u>	<u>9,358,775</u>	<u>9,032,554</u>	<u>8,288,436</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,928,810	2,987,594	3,001,967	3,203,306
Special instruction	1,090,021	1,019,440	988,359	1,106,880
Other instruction	888,058	755,989	752,198	662,205
Support services:				
Student services	322,402	452,813	387,151	397,064
Instructional staff services	240,294	250,711	257,769	342,902
Administration services	797,328	897,437	906,103	785,707
Operation and maintenance of plant services	777,994	590,786	637,512	521,699
Transportation services	488,085	319,138	324,240	310,262
Other expenditures:				
Facilities acquisitions	405,016	512,119	89,796	590,956
Long Term Debt:				
Principal	410,000	390,000	370,000	350,000
Interest	345,874	367,645	388,483	409,550
AEA flow-through	294,542	299,347	319,677	309,422
Total	<u>\$ 8,988,424</u>	<u>8,843,019</u>	<u>8,423,255</u>	<u>8,989,953</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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 the
Monticello 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 Monticello Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 22, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monticello Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monticello 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 non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Monticello Community School District and other parties to Monticello 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 Monticello 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.



NOLTE, CORNMAN & JOHNSON, P.C.

November 22, 2005

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 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 cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were 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.

Conclusion - Response accepted.

I-B-05 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest earned each year should be allocated out at an annual basis to the individual activity accounts.

Response - Interest will be allocated on a semi-annual basis.

Conclusion - Response accepted.

I-C-05 Capital Asset Policy - We noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - The District should review the policies in place and update the necessary capital asset policies.

Response - The District will adopt a capital asset policy.

Conclusion - Response accepted.

I-D-05 Payroll Procedures - We noted during our audit that the District did not file one of their quarterly reports on a timely basis.

Recommendation - The District should review their procedures to make sure that all reports are filed timely to avoid any penalties.

Response - We will review that procedure.

Conclusion - Response accepted.

I-E-05 Hourly Wages Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by sponsors or coaches for wage and hour purposes, as required by the Department of Labor.

Recommendation - The District should require documentation of hours worked for sponsors and coaches who are not exempt. The District should monitor for minimum wage as well as overtime.

Response - The District will review and make the necessary corrections to these procedures.

Conclusion - Response accepted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the non-instructional functional program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will review and monitor the expenses in the future and amend when needed.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nick Sauser, Bus Driver Owns Nick's Service Center	Repairs	\$1,247
Kathy Harms, Teacher Spouse owns Subway	Food	\$31
Jenny Lambert, Teacher Spouse owns Lambert's Carpet	Carpet	\$28,667
Daniel Sauser, Teacher Father-in-law owns Welter Storage	Supplies	\$325
Connie Reyner, Business Manager Brother-in-law owns Darrell's	Supplies	\$868
Shirley Stadtmueller, Bus Driver/Food Service Spouse owns S&S Lawn Care	Lawn services	\$640
Sarah Bartram, Dance team sponsor volunteer Owns Wild Hair Studio	Dance team services	\$200
Pat Weber, Baseball Coach Owns Weber Vending	Supplies	\$204

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the Sarah Bartram, Pat Weber and Nick Sauser do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses, father-in-law, and brother-in-law of the District's employees do not appear to represent a conflict of interest.

- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted 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.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-05 Financial Condition - We noted during our audit that the District had negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit account balances.

Response - The District has been monitoring this fund and will continue to do so.

Conclusion - Response accepted.