MONTICELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

Contents

		Page
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	Exhibit	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	Schedule	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48
Combining Statement of Fiduciary Net Assets - Private Purpose Trust - Scholarship Funds	4	49
Combining Statement of Changes in Fiduciary Net Assets Private Purpose Trust - Scholarship Funds	5	50
Statement of Changes in Assets and Liabilities - Agency Fund	6	51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	52
Schedule of Expenditures of Federal Awards	8	53
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		55-56
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		57-58
Schedule of Findings and Questioned Costs		59-67

Monticello Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2009 Election)	
Lee Hein	President	2009
John Cook	Vice President	2011
Jim Tjaden	Board Member	2009
Chris Brokaw	Board Member	2011
Jeff Hinrichs	Board Member	2009
	Board of Education (After September 2009 Election)	
John Cook	President	2011
Jeff Hinrichs	Vice President	2013
Angie Beitz	Board Member	2013
Chris Brokaw	Board Member	2011
Peg Mere	Board Member	2013
	School Officials	
Chris Anderson	Superintendent	2010
Nancy Strang	District Secretary	2010
Connie Reyner	Comptroller	2010
Gruhn Law Firm	Attorney	2010
Ahlers & Cooney P.C.	Attorney	2010
Strittmatter Law Firm	Attorney	2010

MONTICELLO COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
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, 2010, 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, 2010, 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 March 24, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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 six years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $9,199,950 in fiscal year 2009 to $9,145,699 in fiscal year 2010, while General Fund expenditures increased from $9,340,766 in fiscal 2009 to $9,715,159 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from $1,975,825 in fiscal 2009 to $1,406,365 in fiscal 2010, a 28.82% decrease from prior year.

- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 20.08% for fiscal year 2009 to 13.57% for fiscal year 2010. Although the solvency ratio decreased, it is still above what the State School Budget Review Committee recommends which is a solvency ratio of 5% - 10%.

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. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

Figure A-1
Monticello Community School District Annual Financial Report

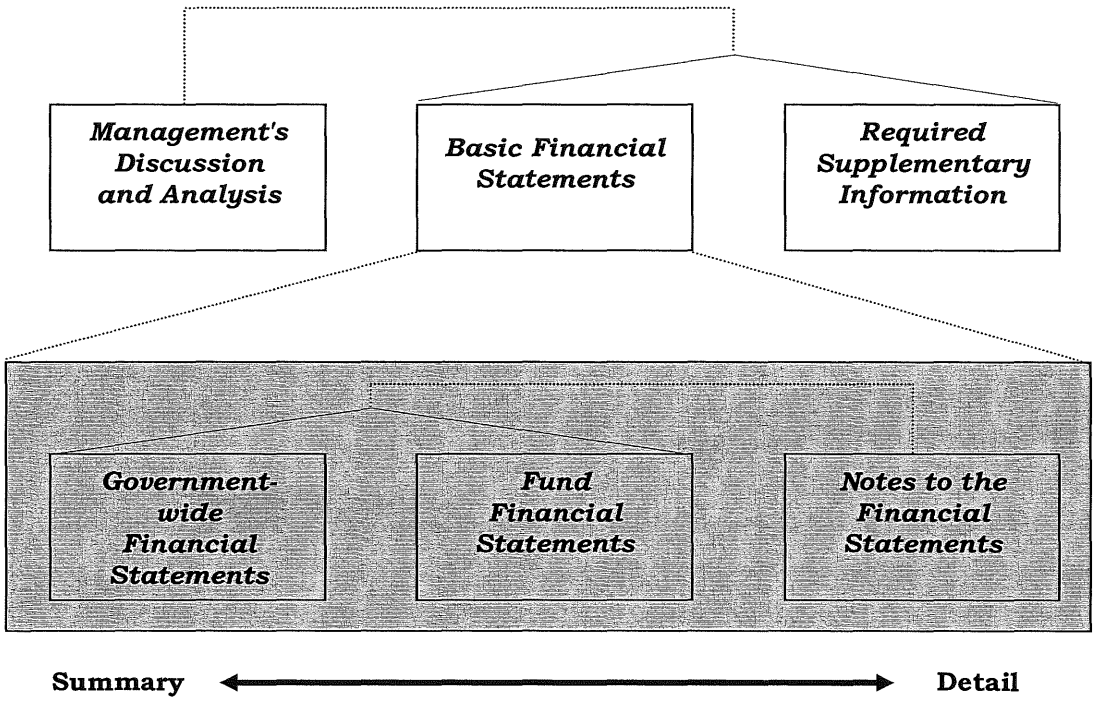

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of revenues, expenses and changes in net assets • Statement of cash flows	• 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 three Enterprise Funds, the School Nutrition Fund, the School Accounts Fund and the Preschool 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.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this 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 at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	$ 7,511,470	7,865,098	148,061	102,228	7,659,531	7,967,326	-3.86%
Capital assets	7,618,848	7,786,954	53,111	68,115	7,671,959	7,855,069	-2.33%
Total assets	15,130,318	15,652,052	201,172	170,343	15,331,490	15,822,395	-3.10%
Long-term obligations	4,107,391	4,426,063	958	0	4,108,349	4,426,063	-7.18%
Other liabilities	4,297,787	4,079,505	14,175	14,672	4,311,962	4,094,177	5.32%
Total liabilities	8,405,178	8,505,568	15,133	14,672	8,420,311	8,520,240	-1.17%
Net assets:							
Invested in capital assets, net of related debt	3,818,848	3,421,954	53,111	68,115	3,871,959	3,490,069	10.94%
Restricted	1,645,092	1,716,905	0	0	1,645,092	1,716,905	-4.18%
Unrestricted	1,261,200	2,007,625	132,928	87,556	1,394,128	2,095,181	-33.46%
Total net assets	$ 6,725,140	7,146,484	186,039	155,671	6,911,179	7,302,155	-5.35%

The District's combined net assets decreased by $390,976, or 5.35%, 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 by $71,813, or 4.18% over the prior year.

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 by $701,053, or 33.46%, over the prior year. The decrease in General Fund balance is the main factor for the decrease in unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	$ 1,069,259	938,260	372,676	379,288	1,441,935	1,317,548	9.44%
Operating grants and contributions and restricted interest	1,905,818	1,557,958	190,270	162,937	2,096,088	1,720,895	21.80%
Capital grants and contributions and restricted interest	14,234	16,203	0	0	14,234	16,203	100.00%
General revenues:							
Property tax	3,129,086	3,101,846	0	0	3,129,086	3,101,846	0.88%
Income surtax	241,237	253,066	0	0	241,237	253,066	-4.67%
Statewide sales, services and use tax	600,456	596,191	0	0	600,456	596,191	0.72%
Unrestricted state grants	3,299,878	3,968,140	0	0	3,299,878	3,968,140	-16.84%
Other	180,281	244,443	3,165	1,561	183,446	246,004	-25.43%
Total revenues	10,440,249	10,676,107	566,111	543,786	11,006,360	11,219,893	-1.90%
Program expenses:							
Governmental activities:							
Instructional	6,725,355	6,298,362	0	0	6,725,355	6,298,362	6.78%
Support services	3,267,846	3,232,676	1,186	8,938	3,269,032	3,241,614	0.85%
Non-instructional programs	0	364	534,557	522,967	534,557	523,331	2.15%
Other expenses	868,392	979,881	0	0	868,392	979,881	-11.38%
Total expenses	10,861,593	10,511,283	535,743	531,905	11,397,336	11,043,188	3.21%
Change in net assets	(421,344)	164,824	30,368	11,881	(390,976)	176,705	-321.26%
Net assets beginning of year	7,146,484	6,981,660	155,671	143,790	7,302,155	7,125,450	2.48%
Net assets end of year	$ 6,725,140	7,146,484	186,039	155,671	6,911,179	7,302,155	-5.35%

Local tax (Property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 69.64% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.44% of the revenue from business type activities.

The District's total revenues were approximately $11.00 million of which approximately $10.44 million was for governmental activities and approximately $0.56 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.90% decrease in revenues and a 3.21% increase in expenses. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were $10,440,249 and expenses were $10,861,594.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	$ 6,725,355	6,298,362	6.78%	4,190,289	4,242,400	-1.23%
Support services	3,267,846	3,232,676	1.09%	3,230,559	3,160,272	2.22%
Non-instruction	0	364	-100.00%	0	364	-100.00%
Other expenses	868,392	979,881	-11.38%	451,434	595,826	-24.23%
Totals	$ 10,861,593	10,511,283	3.33%	7,872,282	7,998,862	-1.58%

- The cost financed by users of the District's programs was $1,069,259.
- Federal and state governments subsidized certain programs with grants and contributions totaling $1,920,052.
- The net cost of governmental activities was financed with $3,129,086 in property tax, $241,237 in income surtax, $600,456 in statewide sales, services and use tax, $3,299,878 in unrestricted state grants and $147,644 in interest income and $32,637 in other general revenues.

Business type Activities

Revenues of the District's business type activities were $566,111 and expenses were $535,743. The District's business type activities include the School Nutrition Fund, the Preschool 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 $3,055,374, below last year's ending fund balances of $3,595,295. The main reason for the increase in overall fund balance can be mainly attributed to a decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. The District saw a decrease in revenues for the General Fund and an increase in expenditures, thus ensuring the decline in fund balance.

- The Capital Projects fund balance decreased from $950,530 to $916,020 during the year. Revenues for the Capital Projects Fund increased by $2,976 as compared to the previous year. Interest income earned by the Capital Projects Fund for the year was $42,234 as compared to $43,523 for the previous year. The transfer to the Debt Service Fund was larger than the previous year to fund the District's general obligation bond indebtedness.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from $99,281 at June 30, 2009 to $108,916 at June 30, 2010, representing an increase of 9.70%.

The School Accounts Fund net assets increased from $9,267 to $9,838, representing an increase of 6.16%.

Fiscal 2010 was the fourth year of operation of the District's Preschool Fund. Fund revenues were $69,034 in 2010 as compared to $73,576 in 2009. Fund expenditures were $48,872 in 2010 as compared to $51,457 in 2009. This resulted in the fund having $67,285 as its ending fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were $673,316 less than budgeted revenues, a variance of 5.75%. The most significant variance resulted from the District receiving less in state source revenues 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested $7,671,959, 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 $442,019.

The original cost of the District's capital assets was $16,256,387. Governmental funds account for $16,016,309 with the remainder of $240,078 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled $643,952 at June 30, 2010 compared to $692,406 at June 30, 2009 due to depreciation being greater than acquisitions.

	Figure A-6 Capital Assets, Net of Depreciation						
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	$ 149,802	149,802	0	0	149,802	149,802	0.00%
Buildings	6,329,724	6,482,804	0	0	6,329,724	6,482,804	-2.36%
Land improvements	643,952	692,406	0	0	643,952	692,406	-7.00%
Machinery and equipment	495,370	461,942	53,111	68,115	548,481	530,057	3.48%
Total	$ 7,618,848	7,786,954	53,111	68,115	7,671,959	7,855,069	-2.33%

Long-Term Debt

At June 30, 2010, the District had $4,108,349 in long-term debt outstanding. This represents a decrease of 7.18% 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 $3,800,000 at June 30, 2010. These bonds will continue to be paid until 2016.

The District had outstanding early retirement payable from the Management Fund of $223,604 at June 30, 2010.

The District had outstanding compensated absences payable from the General Fund of $32,076 as of June 30, 2010.

The District had a net OPEB liability of $52,669 as of June 30, 2010.

	Figure A-7 Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	$ 3,800,000	4,365,000	-12.94%
Early retirement	223,604	30,886	623.97%
Compensated absences	32,076	30,177	6.29%
Net OPEB liability	52,669	0	100.00%
Total	$ 4,108,349	4,426,063	-7.18%

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.

- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for future years. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

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

Exhibit A

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,461,682	139,945	3,601,627
Receivables:			
Property tax:			
Delinquent	44,055	0	44,055
Succeeding year	3,354,922	0	3,354,922
Income surtax	184,526	0	184,526
Accounts	15,634	0	15,634
Prepaid expenses	7,953	0	7,953
Due from other governments	442,698	0	442,698
Inventories	0	8,116	8,116
Capital assets, net of accumulated depreciation	7,618,848	53,111	7,671,959
TOTAL ASSETS	15,130,318	201,172	15,331,490
LIABILITIES			
Accounts payable	100,139	99	100,238
Salaries and benefits payable	655,462	7,273	662,735
Interest payable	26,217	0	26,217
Deferred revenue:			
Succeeding year property tax	3,354,922	0	3,354,922
Other	161,047	0	161,047
Unearned revenue	0	6,803	6,803
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	580,000	0	580,000
Early retirement	67,483	0	67,483
Compensated absences	32,076	0	32,076
Portion due after one year:			
General obligation bonds	3,220,000	0	3,220,000
Early retirement	156,121	0	156,121
Net OPEB liability	51,711	958	52,669
TOTAL LIABILITIES	8,405,178	15,133	8,420,311
NET ASSETS			
Invested in capital assets, net of related debt	3,818,848	53,111	3,871,959
Restricted for:			
Debt service	79,566	0	79,566
Categorical funding	165,689	0	165,689
Physical plant & equipment levy	398,600	0	398,600
Capital projects	916,020	0	916,020
Other special revenue purposes	85,217	0	85,217
Unrestricted	1,261,200	132,928	1,394,128
TOTAL NET ASSETS	$ 6,725,140	186,039	6,911,179

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	$ 4,107,308	510,196	1,174,361	0	(2,422,751)	0	(2,422,751)
Special	1,424,445	301,865	82,727	0	(1,039,853)	0	(1,039,853)
Other	1,193,602	253,182	212,735	0	(727,685)	0	(727,685)
	6,725,355	1,065,243	1,469,823	0	(4,190,289)	0	(4,190,289)
Support services:							
Student	530,964	0	0	0	(530,964)	0	(530,964)
Instructional staff	473,948	0	0	0	(473,948)	0	(473,948)
Administration	933,666	0	0	0	(933,666)	0	(933,666)
Operation and maintenance of plant	821,568	0	0	0	(821,568)	0	(821,568)
Transportation	507,700	4,016	33,271	0	(470,413)	0	(470,413)
	3,267,846	4,016	33,271	0	(3,230,559)	0	(3,230,559)
Other expenditures:							
Facilities acquisitions	53,936	0	0	14,234	(39,702)	0	(39,702)
Long-term debt interest	157,303	0	0	0	(157,303)	0	(157,303)
AEA flowthrough	402,724	0	402,724	0	0	0	0
Depreciation (unallocated) *	254,429	0	0	0	(254,429)	0	(254,429)
	868,392	0	402,724	14,234	(451,434)	0	(451,434)
Total governmental activities	10,861,593	1,069,259	1,905,818	14,234	(7,872,282)	0	(7,872,282)
Business Type activities:							
Support services:							
Operation and maintenance of plant	1,186	0	0	0	0	(1,186)	(1,186)
Non-instructional programs:							
Nutrition services	484,590	301,976	190,270	0	0	7,656	7,656
Preschool	48,872	69,034	0	0	0	20,162	20,162
School accounts	1,095	1,666	0	0	0	571	571
Total non-instructional programs	534,557	372,676	190,270	0	0	28,389	28,389
Total business type activities	535,743	372,676	190,270	0	0	27,203	27,203
Total	$ 11,397,336	1,441,935	2,096,088	14,234	(7,872,282)	27,203	(7,845,079)
General Revenues:							
Property tax levied for:							
General purposes					$ 2,791,484	0	2,791,484
Debt services					46,440	0	46,440
Capital outlay					291,162	0	291,162
Income surtax					241,237	0	241,237
Statewide sales, service and use tax					600,456	0	600,456
Unrestricted state grants					3,299,878	0	3,299,878
Unrestricted investment earnings					147,644	1,353	148,997
Other					32,637	1,812	34,449
Total general revenues					7,450,938	3,165	7,454,103
Change in net assets					(421,344)	30,368	(390,976)
Net assets beginning of year					7,146,484	155,671	7,302,155
Net assets end of year					$ 6,725,140	186,039	6,911,179

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

MONTICELLO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	$ 1,937,098	780,517	744,067	3,461,682
Receivables:				
Property tax:				
Delinquent	38,977	0	5,078	44,055
Succeeding year	2,901,566	0	453,356	3,354,922
Income surtax	184,526	0	0	184,526
Accounts	15,634	0	0	15,634
Prepaid expenses	7,953	0	0	7,953
Due from other governments	307,146	135,503	49	442,698
TOTAL ASSETS	$ 5,392,900	916,020	1,202,550	7,511,470
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 83,934	0	16,205	100,139
Salaries and benefits payable	655,462	0	0	655,462
Deferred revenue:				
Succeeding year property tax	2,901,566	0	453,356	3,354,922
Income surtax	184,526	0	0	184,526
Other	161,047	0	0	161,047
Total liabilities	3,986,535	0	469,561	4,456,096
Fund balances:				
Reserved for:				
Debt service	0	0	79,566	79,566
Categorical funding	165,689	0	0	165,689
Unreserved:	1,240,676	916,020	653,423	2,810,119
Total fund balances	1,406,365	916,020	732,989	3,055,374
TOTAL LIABILITIES AND FUND BALANCES	$ 5,392,900	916,020	1,202,550	7,511,470

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

MONTICELLO COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2010

Total fund balances of governmental funds (page 20)	$ 3,055,374
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,618,848
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.	(26,217)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	184,526
Long-term liabilities, including bonds payable, early retirement payable, compensated absence payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(4,107,391)
Net assets of governmental activities (page 18)	$ 6,725,140

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	$ 3,030,257	600,456	372,054	4,002,767
Tuition	755,670	0	0	755,670
Other	163,461	42,234	314,645	520,340
Intermediate sources	14,234	0	0	14,234
State sources	4,366,810	0	280	4,367,090
Federal sources	812,137	0	0	812,137
Total revenues	9,142,569	642,690	686,979	10,472,238
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,787,485	0	86,365	3,873,850
Special	1,412,349	0	0	1,412,349
Other	945,546	0	252,542	1,198,088
	6,145,380	0	338,907	6,484,287
Support services:				
Student services	527,586	0	0	527,586
Instructional staff	527,643	0	0	527,643
Administration	918,843	0	6,057	924,900
Operation and maintenance of plant	765,833	0	48,976	814,809
Transportation	427,150	0	77,056	504,206
	3,167,055	0	132,089	3,299,144
Other expenditures:				
Facilities acquisitions	0	0	106,831	106,831
Long-term debt:				
Principal	0	0	565,000	565,000
Interest and fiscal charges	0	0	157,303	157,303
AEA flowthrough	402,724	0	0	402,724
	402,724	0	829,134	1,231,858
Total expenditures	9,715,159	0	1,300,130	11,015,289
Excess (deficiency) of revenues over (under) expenditures	(572,590)	642,690	(613,151)	(543,051)
Other financing sources (uses):				
Transfer in	0	0	677,200	677,200
Transfer out	0	(677,200)	0	(677,200)
Sale of equipment	3,130	0	0	3,130
Total other financing sources (uses)	3,130	(677,200)	677,200	3,130
Net change in fund balances	(569,460)	(34,510)	64,049	(539,921)
Fund balance beginning of year	1,975,825	950,530	668,940	3,595,295
Fund balance end of year	$ 1,406,365	916,020	732,989	3,055,374

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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, 2010

Net change in fund balances - total governmental funds (page 22)		$ (539,921)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures, depreciation expense and loss on asset disposal for the current year are as follows:		
Capital expenditures	$ 255,194	
Depreciation expense	(423,300)	(168,106)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Repaid		565,000
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(31,989)
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.		
Compensated absences	$ (1,899)	
Early retirement	(192,718)	
Other postemployment benefits	(51,711)	(246,328)
Changes in net assets of governmental activities (page 19)		$ (421,344)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Pre-school	School Accounts	Total
ASSETS				
Cash and pooled investments	$ 62,509	67,598	9,838	139,945
Inventories	8,116	0	0	8,116
Capital assets, net of accumulated depreciation	53,111	0	0	53,111
TOTAL ASSETS	123,736	67,598	9,838	201,172
LIABILITIES				
Accounts payable	99	0	0	99
Salaries and benefits payable	6,960	313	0	7,273
Unearned revenues	6,803	0	0	6,803
Net OPEB liability	958	0	0	958
TOTAL LIABILITIES	14,820	313	0	15,133
NET ASSETS				
Invested in capital assets	53,111	0	0	53,111
Unrestricted	55,805	67,285	9,838	132,928
TOTAL NET ASSETS	$ 108,916	67,285	9,838	186,039

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Pre-School	School Accounts	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	$ 301,976	69,034	1,666	372,676
Miscellaneous	1,812	0	0	1,812
TOTAL OPERATING REVENUES	303,788	69,034	1,666	374,488
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	1,186	0	0	1,186
Non-instructional programs:				
Food service operations:				
Salaries	183,730	0	0	183,730
Benefits	48,929	0	0	48,929
Services	0	0	0	0
Supplies	233,212	0	0	233,212
Depreciation	18,719	0	0	18,719
	484,590	0	0	484,590
Other enterprise operations:				
Supplies	0	0	1,095	1,095
Community service operations:				
Salaries	0	31,638	0	31,638
Benefits	0	4,586	0	4,586
Supplies	0	12,648	0	12,648
	0	48,872	0	48,872
Total non-instructional programs	484,590	48,872	1,095	534,557
TOTAL OPERATING EXPENSES	485,776	48,872	1,095	535,743
OPERATING LOSS	(181,988)	20,162	571	(161,255)
NON-OPERATING REVENUES:				
State sources	4,672	0	0	4,672
Federal sources	185,598	0	0	185,598
Interest income	1,353	0	0	1,353
TOTAL NON-OPERATING REVENUES	191,623	0	0	191,623
Changes in net assets	9,635	20,162	571	30,368
Net assets beginning of year	99,281	47,123	9,267	155,671
Net assets end of year	$ 108,916	67,285	9,838	186,039

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition	Pre-school	School Accounts	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	$ 301,776	1,000	0	302,776
Cash received from miscellaneous operating activities	1,812	69,034	1,666	72,512
Cash payments to employees for services	(229,048)	(36,495)	0	(265,543)
Cash payments to suppliers for goods or services	(217,657)	(12,651)	(1,095)	(231,403)
Net cash provided by(used in) operating activities	(143,117)	20,888	571	(121,658)
Cash flows from non-capital financing activities:				
State grants received	4,672	0	0	4,672
Federal grants received	163,857	0	0	163,857
Net cash provided by non-capital financing activities	168,529	0	0	168,529
Cash flows from capital and related financing activities:				
Purchase of capital assets	(3,715)	0	0	(3,715)
Cash flows from investing activities:				
Interest on investments	1,353	0	0	1,353
Net increase in cash and cash equivalents	23,050	20,888	571	44,509
Cash and cash equivalents at beginning of year	39,459	46,710	9,267	95,436
Cash and cash equivalents at end of year	$ 62,509	67,598	9,838	139,945
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	$ (181,988)	20,162	571	(161,255)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	21,741	0	0	21,741
Depreciation	18,719	0	0	18,719
Increase in inventories	(3,047)	0	0	(3,047)
Decrease in accounts receivable	698	1,000	0	1,698
Decrease in accounts payable	(1,953)	(3)	0	(1,956)
Increase(Decrease) in salaries and benefits payable	2,653	(271)	0	2,382
Decrease in unearned revenue	(923)	0	0	(923)
Increase in other postemployment benefits	958	0	0	958
Net cash provided by(used in) operating activities	$ (143,142)	20,888	571	(121,683)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at $21,741.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	Private Purpose Trust	
	Scholarship Fund	Agency
ASSETS		
Cash and pooled investments	$ 17,904	7,321
LIABILITIES		
Accounts payable	0	59
Due to other groups	0	7,262
TOTAL LIABILITIES	0	7,321
NET ASSETS		
Reserved for scholarships	$ 17,904	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Exhibit K

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	Private Purpose Trust Scholarship Fund
Additions:	
Local sources:	
Interest	$ 4,577
Contributions	1,333
Total additions	5,910
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	6,551
Change in net assets	(641)
Net assets beginning of year	18,545
Net assets end of year	$ 17,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

(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 predominately 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 District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Preschool Fund and School Accounts Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to account for the child care and preschool services provided by the District. The School Accounts Fund is used to account for District miscellaneous proprietary accounts.

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

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

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 Balances

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, and intangibles 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	$ 500
Buildings	500
Land improvements	500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of $605 pursuant to the 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, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 677,200

The transfer from the Capital Projects Fund to the Debt Service Fund was for principal and interest payments on the District's general obligation bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	$ 236,363	3,715	0	240,078
Less accumulated depreciation	168,248	18,719	0	186,967
Business type activities capital assets, net	$ 68,115	(15,004)	0	53,111

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 149,802	0	0	149,802
Capital assets being depreciated:				
Buildings	9,726,421	30,798	0	9,757,219
Land improvements	2,188,749	22,097	0	2,210,846
Machinery and equipment	3,749,661	202,299	53,518	3,898,442
Total capital assets being depreciated	15,664,831	255,194	53,518	15,866,507
Less accumulated depreciation for:				
Buildings	3,243,617	183,878	0	3,427,495
Land improvements	1,496,343	70,551	0	1,566,894
Machinery and equipment	3,287,719	168,871	53,518	3,403,072
Total accumulated depreciation	8,027,679	423,300	53,518	8,397,461
Total capital assets being depreciated, net	7,637,152	(168,106)	0	7,469,046
Governmental activities capital assets, net	$ 7,786,954	(168,106)	0	7,618,848

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 25,653
Special	3,292
Other	8,580
Support services:	
Student	497
Instructional staff	34,460
Administration	3,179
Operation and maintenance of plant	10,964
Transportation	82,246
	168,871
Unallocated depreciation	254,429
Total governmental activities depreciation expense	$ 423,300
Business-type activities:	
Food services	$ 18,719

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	$ 4,365,000	0	565,000	3,800,000	580,000
Early retirement	30,886	208,162	15,444	223,604	67,843
Compensated absences	30,177	32,076	30,177	32,076	32,076
Net OPEB liability	0	51,711	0	51,711	0
Total	$ 4,426,063	291,949	610,621	4,107,391	679,919

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	$ 0	958	0	958	0

Early Retirement

The District offered an early retirement plan to full-time certified staff employees for the time period of February 5, 2010 to March 22, 2010. Requirements of that plan are explained in the following paragraph.

Eligible employees had to be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees completed an application which was subjected to approval by the Board of Education. The early retirement incentive for each eligible employee was the amount of unused sick leave time the employee's per diem contract rate for teaching only. The maximum benefit for full-time staff was 21.875% of the employee's 2010 salary paid in four equal installments over a four year period. No benefits for this plan will be paid out until the 2011 fiscal year for new retirees. During the year ended June 30, 2010 the District paid $15,444 in benefits.

General Obligation Bonds Payable

Details of the District's June 30, 2010 General Obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2005		
		Principal	Interest	Total
2011	3.45 %	$ 580,000	138,658	718,658
2012	3.55	600,000	118,648	718,648
2013	3.60	620,000	97,348	717,348
2014	3.70	640,000	75,028	715,028
2015	3.75	665,000	51,348	716,348
2016	3.80	695,000	26,410	721,410
Total		$ 3,800,000	507,440	4,307,440

(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were $395,638, $369,356, and $321,138, 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. District contributions to ISEBA for the year ended June 30, 2010 were $972,838.

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) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 110 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark and ISEBA. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to

cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 60,081
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	60,081
Contributions made	(7,412)
Increase in net OPEB obligation	52,669
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	$ 52,669

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$60,081	12.3%	$ 52,669

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $521,316, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $521,316. The covered payroll (annual payroll of active employees covered by the plan) was approximately $4.86 million and the ratio of the UAAL to covered payroll was 10.72%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the Monticello Community School District.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $402,724 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Homes school assistance program	$ 3,617
Gifted and talented	23,226
Beginning teacher mentoring	138
Market factor	293
Early intervention	80,916
Textbook aid	1,801
Model core curriculum	17,334
Professional development	38,364
Total	$ 165,689

REQUIRED SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF
REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 5,278,777	375,841	5,654,618	5,644,374	5,644,374	10,244
Intermediate sources	14,234	0	14,234	250	250	13,984
State sources	4,367,090	4,672	4,371,762	5,382,041	5,382,041	(1,010,279)
Federal sources	812,137	185,598	997,735	685,000	685,000	312,735
Total revenues	10,472,238	566,111	11,038,349	11,711,665	11,711,665	(673,316)
Expenditures/Expenses:						
Instruction	6,484,287	0	6,484,287	7,421,148	7,421,148	936,861
Support services	3,299,144	1,186	3,300,330	4,312,848	4,312,848	1,012,518
Non-instructional programs	0	534,557	534,557	675,942	675,942	141,385
Other expenditures	1,231,858	0	1,231,858	1,601,808	1,601,808	369,950
Total expenditures/expenses	11,015,289	535,743	11,551,032	14,011,746	14,011,746	2,460,714
Excess(deficiency) of revenues over(under) expenditures/expenses	(543,051)	30,368	(512,683)	(2,300,081)	(2,300,081)	1,787,398
Other financing sources, net	3,130	0	3,130	6,000	6,000	(2,870)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(539,921)	30,368	(509,553)	(2,294,081)	(2,294,081)	1,784,528
Balance beginning of year	3,595,295	155,671	3,750,966	3,418,244	3,418,244	332,722
Balance end of year	$ 3,055,374	186,039	3,241,413	1,124,163	1,124,163	2,117,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	$ 521	521	0.0%	4,860	10.72%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

MONTICELLO COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	$ 173,284	96,770	395,085	665,139	78,928	744,067
Receivables:						
Property tax:						
Delinquent	482	0	3,964	4,446	632	5,078
Succeeding year	125,193	0	294,600	419,793	33,563	453,356
Due from other governments	5	0	38	43	6	49
TOTAL ASSETS	$ 298,964	96,770	693,687	1,089,378	113,129	1,202,550
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 4,165	11,553	487	16,205	0	16,205
Deferred revenue:						
Succeeding year property tax	125,193	0	294,600	419,793	33,563	453,356
Total liabilities	129,358	11,553	295,087	435,998	33,563	469,561
Fund balances:						
Reserved for debt service	0	0	0	0	79,566	79,566
Unreserved fund balances	169,606	85,217	398,600	653,423	0	653,423
Total fund balances	169,606	85,217	398,600	653,423	79,566	732,989
TOTAL LIABILITIES AND FUND BALANCES	$ 298,964	96,770	693,687	1,089,421	113,129	1,202,550

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

MONTICELLO COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	
REVENUES:						
Local sources:						
Local tax	$ 34,453	0	291,161	325,614	46,440	372,054
Other	21,064	281,073	12,508	314,645	0	314,645
State sources	26	0	219	245	35	280
TOTAL REVENUES	55,543	281,073	303,888	640,504	46,475	686,979
EXPENDITURES:						
Current:						
Instruction:						
Regular	86,365	0	0	86,365	0	86,365
Other	0	252,542	0	252,542	0	252,542
Support services:						
Administration	4,607	0	0	4,607	1,450	6,057
Operation and maintenance of plant	48,384	0	592	48,976	0	48,976
Transportation	0	0	77,056	77,056	0	77,056
Other expenditures:						
Facility acquisitions	0	0	106,831	106,831	0	106,831
Long-term debt:						
Principal	0	0	0	0	565,000	565,000
Interest and fiscal charges	0	0	0	0	157,303	157,303
TOTAL EXPENDITURES	139,356	252,542	184,479	576,377	723,753	1,300,130
Excess(Deficiency) of revenues over(under) expenditures	(83,813)	28,531	119,409	64,127	(677,278)	(613,151)
Other financing sources:						
Transfers in	0	0	0	0	677,200	677,200
Net change in fund balances	(83,813)	28,531	119,409	64,127	(78)	64,049
Fund balance beginning of year	253,419	56,686	279,191	589,296	79,644	668,940
Fund balance end of year	$ 169,606	85,217	398,600	653,423	79,566	732,989

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi-tures	Transfers	Balance End of Year
Speech and drama	$ 8,685	14,124	9,824	0	12,985
Vocal	4,261	12,250	10,306	0	6,205
HS music	4,853	92	34	0	4,911
Instrumental	1,537	2,884	2,026	0	2,395
Cross country	(1,089)	0	3,089	(4,178)	0
Boys basketball-HS	(3,740)	985	1,563	(4,318)	0
Boys basketball-JH	0	0	4,587	(4,587)	0
Football-HS	(13,194)	2,641	998	(11,551)	0
Football-JH	0	0	14,872	(14,872)	0
Baseball-HS	(3,624)	2,677	1,937	(2,884)	0
Baseball-JH	0	0	5,424	(5,424)	0
Boys track	(6,865)	0	4,841	(11,706)	0
Soccer	(4,197)	0	7,231	(11,428)	0
Boys golf	0	0	1,372	(1,372)	0
Wrestling-HS	(3,046)	4,312	2,998	(1,732)	0
Wrestling-JH	(4,080)	0	6,106	(10,186)	0
Girls basketball-HS	(6,198)	2,999	3,387	(6,586)	0
Girls basketball-JH	0	0	4,693	(4,693)	0
Volleyball-HS	(8,322)	0	5,279	(13,601)	0
Volleyball-JH	0	1,026	1,338	(312)	0
Softball	(5,232)	217	7,189	(12,204)	0
Softball concessions	(18)	0	0	(18)	0
Girls track	(2,575)	0	3,472	(6,047)	0
Girls golf-HS	(629)	1	0	(628)	0
Girls golf-JH	0	0	1,698	(1,698)	0
General athletics	36,402	111,630	27,765	130,023	(9,756)
Student council-HS	2,518	3,146	2,477	0	3,187
Interest	3,077	0	82	0	2,995
Student organization	29,302	31,437	32,215	0	28,524
Yearbook-HS	(9,344)	4,242	6,120	0	(11,222)
Montisports.org	41	0	0	0	41
7th grade	2,030	9,262	6,906	2,030	2,356
8th grade	2,026	4,463	5,160	(4)	1,333
Freshman	2,058	30	0	32	2,056
Sophomore	1,981	30	40	(76)	2,047
Junior	3,448	11,217	10,440	1,467	2,758
Senior	6,359	138	883	(3,449)	9,063
FFA	8,027	29,637	26,915	0	10,749
BPA	3,811	13,172	13,621	2	3,360
Coffee club	2,658	1,187	445	0	3,400
International club	47	1,373	415	0	1,005
Sixth grade	2,569	807	1,096	0	2,280
Cheerleader	2,478	9,987	9,160	0	3,305
Dance team	671	5,107	4,538	0	1,240
Total	$ 56,686	281,073	252,542	0	85,217

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

MONTICELLO COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
ASSETS					
Cash and pooled investments	$ 2,829	500	1,526	13,049	17,904
LIABILITIES	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	$ 2,829	500	1,526	13,049	17,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

MONTICELLO COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
YEAR ENDED JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
ADDITIONS:					
Local sources:					
Interest	$ 104	0	0	4,473	4,577
Contributions	0	833	500	0	1,333
	104	833	500	4,473	5,910
DEDUCTIONS:					
Instruction:					
Regular instruction:					
Scholarships awarded	0	501	600	5,450	6,551
Changes in net assets	104	332	(100)	(977)	(641)
Net assets beginning of year	2,725	168	1,626	14,026	18,545
Net assets end of year	$ 2,829	500	1,526	13,049	17,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	$ 5,425	2,198	302	7,321
LIABILITIES				
Due to other groups	$ 5,425	2,198	302	7,321

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	$ 4,002,767	3,929,412	3,826,081	4,174,905	4,310,031	4,372,964	4,134,270
Tuition	755,670	659,293	526,242	481,671	586,557	448,168	421,871
Other	520,340	622,440	603,091	821,359	653,247	515,437	453,113
Intermediate sources	14,234	11,500	8,486	5,000	0	9,564	11,500
State sources	4,367,090	5,032,559	4,863,323	4,492,351	4,257,420	3,916,593	3,871,736
Federal sources	812,137	399,212	296,740	265,660	384,005	258,632	466,285
Total	$ 10,472,238	10,654,416	10,123,963	10,240,946	10,191,260	9,521,358	9,358,775
Expenditures:							
Instruction:							
Regular	$ 3,873,850	3,672,094	3,582,227	3,217,177	3,209,124	2,928,810	2,987,594
Special	1,412,349	1,490,630	1,262,905	1,176,672	1,204,034	1,090,021	1,019,440
Other	1,198,088	1,127,497	1,127,887	1,172,626	895,569	888,058	755,989
Support services:							
Student	527,586	454,886	390,509	361,174	309,830	322,402	452,813
Instructional staff	527,643	498,005	311,762	174,757	332,202	240,294	250,711
Administration	924,900	927,515	826,027	942,843	754,436	797,328	897,437
Operation and maintenance of plant	814,809	798,079	778,701	741,601	830,135	777,994	590,786
Transportation	504,206	577,643	447,587	460,909	425,707	488,085	319,138
Non-instructional:							
Community service operations	0	364	648	0	0	0	0
Other expenditures:							
Facilities acquisitions	106,831	208,877	172,991	71,302	228,514	405,016	512,119
Long Term Debt:							
Principal	565,000	545,000	530,000	465,000	499,470	410,000	390,000
Interest	157,303	177,242	192,823	496,835	449,128	345,874	367,645
AEA flow-through	402,724	367,852	348,272	325,674	303,507	294,542	299,347
Total	$ 11,015,289	10,845,684	9,972,339	9,606,570	9,441,656	8,988,424	8,843,019

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	$ 22,027
National School Lunch Program	10.555	FY10	163,571 *
			185,598
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	119,799
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY09	13,219
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	37,127
			170,145
Career and Technical Education - Basic Grants to States	84.048	FY10	7,799
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	2,459
Improving Teacher Quality State Grants	84.367	FY10	39,864
Grants for State Assesment and Related Activities	84.369	FY10	6,741
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	FY10	428,510
Area Education Agency:			
Special Education Cluster:			
Special Education - Grants to States	84.027	FY10	53,316
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	29,411
			82,727
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV	93.938	FY10	329
TOTAL			$ 924,172

* - Includes $21,741 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2011. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Monticello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monticello Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 through II-F-10 to be significant deficiencies.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

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

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2011

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Monticello Community School District

Compliance

We have audited the compliance of Monticello Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Monticello Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Monticello Community School District's management. Our responsibility is to express an opinion on Monticello Community School District's compliance based on our audit.

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

In our opinion, Monticello Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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

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

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2011

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

(a) Unqualified opinions were issued on the financial statements.

(b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.

(e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs were as follows:

- CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.

  Clustered Programs:

  Title I, Part A Cluster
- CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Monticello Community School District did not qualify as a low-risk auditee.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-10 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.

II-B-10 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District will have the Activities Director implement procedures to keep track of hours worked by coaches who are non-certified staff.

Conclusion - Response accepted.

II-C-10 Gate Admissions - Although the District uses pre-numbered tickets for all performances and events, we noted during our audit that it appeared that ticket takers responsible for cash collections at the gate were not always reconciling pre-numbered tickets to cash collected and not signing off on the reconciliation sheet before giving custody of the change box to the Activities Director.

Recommendation - The exchange in custody of the change box from the ticket takers to the Activities Director with no reconciliation procedures being performed by the ticket takers constitutes a breakdown in control procedures. The District should review internal control procedures established for handling cash for all activity events and communicate the procedures to the individuals involved.

At the end of the event, cash should be counted and reconciled by two or more individuals (usually the ticket takers) to pre-numbered tickets sold including the amount of the beginning cash. A reconciliation form should be completed and signed off by the

individuals responsible for counting and reconciling the cash. The cash and change box should then be turned into the Activities Director or designee responsible for the accounting function at the event.

Response - The District has informed the Activities Director of the breakdown of control and procedures have been put in place to follow the recommendation.

Conclusion - Response accepted.

II-D-10 Capital Assets - A record of fixed asset acquisitions and disposals are kept, however changes are not kept up to date on the District's software system. Capital assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of capital assets at any point in time. Assets should have a proper description and tag number. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - The District is hiring a company to inventory and value their assets, after this is done the District will update and keep capital assets on the District's software system.

Conclusion - Response accepted.

II-E-10 Purchase Orders - We noted during our audit that the District currently uses purchases orders in the purchasing process, however the Student Activity Fund, Physical Plant and Equipment Fund and the General Fund had instances of purchase orders that were completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will continue to monitor the process in place in order to follow the recommendation.

Conclusion - Response accepted.

II-F-10 Depositing Process - We noted during our audit of the receipting process that deposits made from the Nutrition Fund and Student Activity Fund were extremely difficult to reconcile back to the receipts. The process of collection of money and issuance of the receipt, subsequently depositing the money and recording the receipt into the District

accounting software appears to have weaknesses which do not allow for tracing of specific receipts. We noted that the deposit slips did not contain a detail listing of the checks and cash included in the deposit.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipts numbers included on that deposit. The identification of the receipts to the deposit slip, aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited.

Response - The District has started to record the receipt number on the deposit slip in order to identify which funds are included on each deposit.

Conclusion - Response accepted.

OTHER MATTERS:

II-G-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The District is in the process of adopting an intangible asset policy to be in compliance with Governmental Accounting Standards Board Statement No. 51.

Conclusion - Response accepted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2010, 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 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.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGSAND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 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	$390
Amanda Hackney, Cheer Sponsor, Owns Jones County Spirits Screen Printing	Vehicle	$204
Jenny Lambert, Teacher Spouse owns Lambert's Carpet	Carpet	$9,732
Kathy Harms, Teacher Spouse owns Subway	Food	$248
Daniel Sauser, Teacher Father-in-law owns Welter Storage	Supplies	$3,078
Diane Deppe-Haag, Teaching Associate Spouse manages Spahn & Rose Lumber	Supplies	$6,757
Janeece Lasley, Teacher Spouse owns Net Tech Consulting	Supplies	$160
Connie Reyner, Business Manager Brother-in-law owns Darrell's	Supplies	$1,883
Callie Ehrisman, Teacher Mother owns Brier Rose	Supplies	$225
Callie Ehrisman, Teacher Father owns Kromminga Motors	Services	$3,280
Steve Holmes, Coach Father owns Holmes Transmission	Purchase service	$1,725
Pat Kelly, Food Service Director Spouse owns Kelly's Country Oven	Food	$204
Tim Lambert, Teacher/Coach Prom disc jockey	Purchase service	$400

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employees that owns his/her own businesses does 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 son, mother, brother, spouses, father-in-law, and brother-in-law of the District's employees do not appear to represent a conflict of interest.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported as line 1 tuitioned out was overstated by 1 student.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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.

IV-J-10 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.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance	$ 0
Statewide sales, services and use tax revenue	600,456
Debt service for school infrastructure:	
General obligation debt	600,456
Ending balance	$ 0

As a result of the statewide sales, services, and use tax revenue received during the year ended June 30, 2010, the District reduced the following levy:

	Per $1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	$ 2.03821	$ 600,456

IV-M-10 Financial Condition - We noted during our audit that the District had negative account balances in the Student Activity Fund totaling $20,978.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - The District is working on decreasing negative balances and will continue to monitor these accounts.

Conclusion - Response accepted.

IV-N-10 District and Regional Rents - We noted during our audit that the District was placing rent received from hosting district and regional events into the Activity Fund.

Recommendation - According to Chapter 297.9 of the Code of Iowa, rents collected by the District are to be receipted into the General Fund.

Response - The District has notified administrators and will comply with the recommendation.

Conclusion - Response accepted

IV-O-10 PPEL Expenditures - We noted during our audit that the District is currently making purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District had expenditures for routine grounds maintenance. Expenditures for these purposes would be more appropriate from the General Fund. The District purchased parking lot striping services and lighting fixtures for a total of $10,005. According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding $500 per unit.

Recommendation - Since the District had allowable PPEL Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements. The District should review Chapter 298.3 of the Code of Iowa for allowability of expenditures from the PPEL Fund.

Response - The Director of Transportation and maintenance will monitor theses expenditures more closely in order to comply with Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.