

MONTICELLO COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

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Monticello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2011
Judy Hayen	District Secretary	2011
Connie Reyner	Comptroller	2011
Gruhn Law Firm	Attorney	2011
Lynch Dallas, P.C.	Attorney	2011

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, 2011, 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, 2011, 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 22, 2012 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 seven years ended June 30, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 10, 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, P.C.

March 22, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,145,699 in fiscal year 2010 to \$9,812,533 in fiscal year 2011 and General Fund expenditures increased from \$9,715,159 in fiscal 2010 to \$10,598,580 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from \$1,406,365 in fiscal 2010 to \$620,318 in fiscal 2011, a 55.89% decrease from prior year.
- The General Fund increase in revenues was due to the increases in local and state source revenues during the year. The increase in expenditures was due to the increases in all functional area expenditures compared to the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental 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.

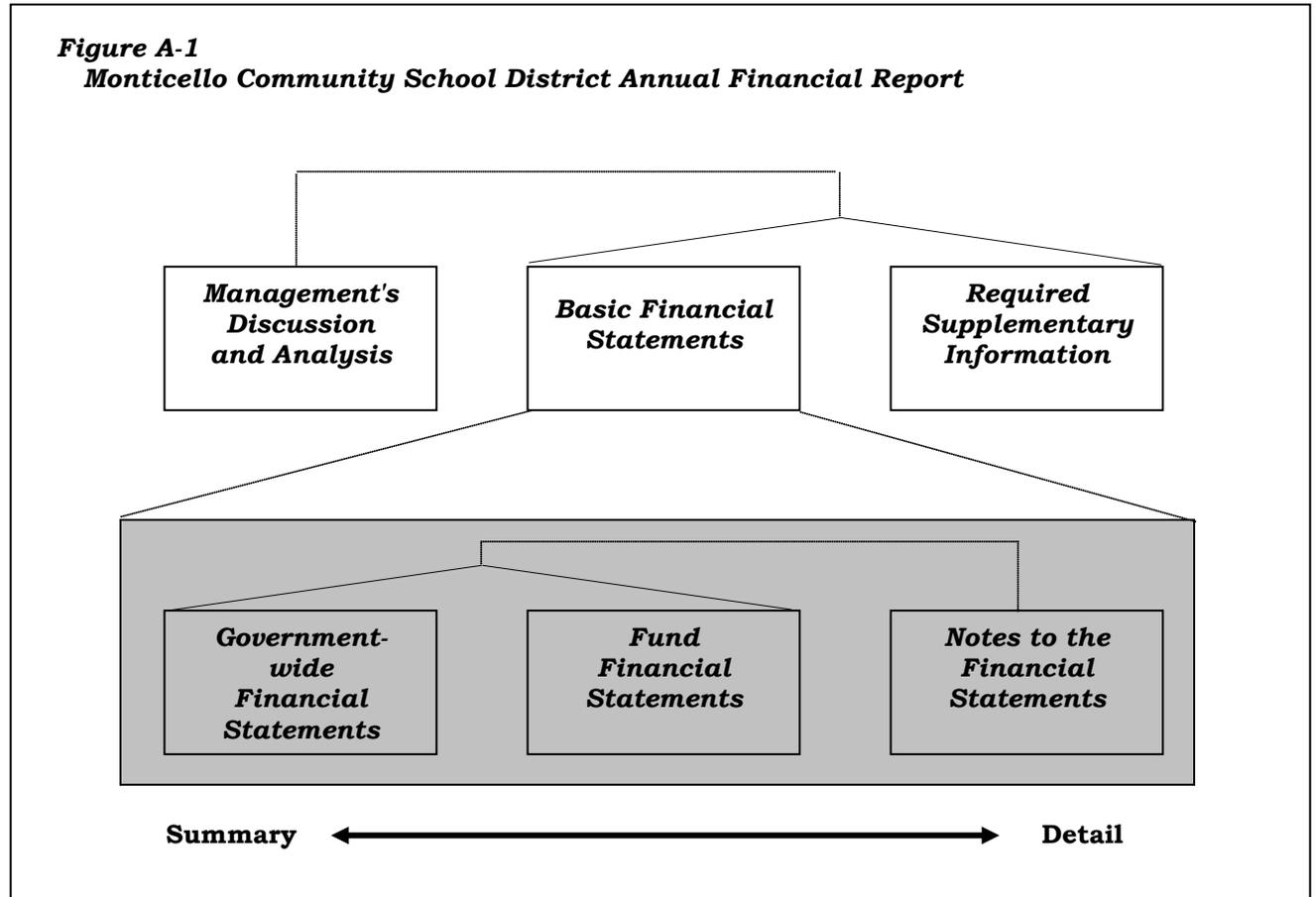


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has 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, 2011 compared to June 30, 2010.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2010-11
Current and other assets	\$ 7,460,186	7,511,470	211,463	148,061	7,671,649	7,659,531	0.16%
Capital assets	7,925,013	7,618,848	48,754	53,111	7,973,767	7,671,959	3.93%
Total assets	15,385,199	15,130,318	260,217	201,172	15,645,416	15,331,490	2.05%
Long-term obligations	3,509,312	4,107,391	1,943	958	3,511,255	4,108,349	-14.53%
Other liabilities	4,933,430	4,297,787	13,435	14,175	4,946,865	4,311,962	14.72%
Total liabilities	8,442,742	8,405,178	15,378	15,133	8,458,120	8,420,311	0.45%
Net assets:							
Invested in capital assets, net of related debt	4,705,013	3,818,848	48,754	53,111	4,753,767	3,871,959	22.77%
Restricted	1,903,118	1,645,092	0	0	1,903,118	1,645,092	15.68%
Unrestricted	334,326	1,261,200	196,085	132,928	530,411	1,394,128	-61.95%
Total net assets	\$ 6,942,457	6,725,140	244,839	186,039	7,187,296	6,911,179	4.00%

The District's combined net assets increased by \$276,117, or 4.00%, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$258,026, or 15.68% from the prior year. The increase in restricted net assets was due to the increase in the state categorical funding carryovers as compared to the previous year and the increase in fund balances of the Capital Projects Accounts.

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 \$863,717, or 61.95%, from 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, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2011	2010	June 30, 2011	2010	June 30, 2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 1,098,111	1,069,259	369,044	372,676	1,467,155	1,441,935	1.75%
Operating grants, contributions and restricted interest	1,180,787	1,905,818	202,962	190,270	1,383,749	2,096,088	-33.98%
Capital grants, contributions and restricted interest	22,740	14,234	0	0	22,740	14,234	59.76%
General revenues:							
Property tax	3,361,533	3,129,086	0	0	3,361,533	3,129,086	7.43%
Income surtax	250,787	241,237	0	0	250,787	241,237	3.96%
Statewide sales, services and use tax	676,851	600,456	0	0	676,851	600,456	12.72%
Unrestricted state grants	4,366,462	3,299,878	0	0	4,366,462	3,299,878	32.32%
Nonspecific program federal grants	107,135	0	0	0	107,135	0	100.00%
Other	372,355	180,281	5,689	3,165	378,044	183,446	106.08%
Total revenues	11,436,761	10,440,249	577,695	566,111	12,014,456	11,006,360	9.16%
Program expenses:							
Governmental activities:							
Instructional	6,952,488	6,725,355	0	0	6,952,488	6,725,355	3.38%
Support services	3,466,459	3,267,846	8,023	1,186	3,474,482	3,269,032	6.28%
Non-instructional programs	610	0	510,872	534,557	511,482	534,557	-4.32%
Other expenses	799,887	868,392	0	0	799,887	868,392	-7.89%
Total expenses	11,219,444	10,861,593	518,895	535,743	11,738,339	11,397,336	2.99%
Change in net assets	217,317	(421,344)	58,800	30,368	276,117	(390,976)	170.62%
Net assets beginning of year	6,725,140	7,146,484	186,039	155,671	6,911,179	7,302,155	-5.35%
Net assets end of year	\$ 6,942,457	6,725,140	244,839	186,039	7,187,296	6,911,179	4.00%

Local tax (Property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 75.68% of the revenue from governmental activities while charges for service and sales and operating grants, contributions and restricted interest account for 99.02% of the revenue from business type activities.

The District's total revenues were approximately \$12.02 million of which approximately \$11.44 million was for governmental activities and approximately \$0.58 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.16% increase in revenues and a 2.99% increase in expenses. Property tax increased approximately \$232,000 to fund the increase in expenses. The increases in expenses related to increases in the instructional and support services functional areas during the year.

Governmental Activities

Revenues for governmental activities were \$11,436,761 and expenses were \$11,219,444.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instruction and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 6,952,488	6,725,355	3.38%	5,199,986	4,190,289	24.10%
Support services	3,466,459	3,267,846	6.08%	3,322,339	3,230,559	2.84%
Non-instruction	610	0	100.00%	610	0	100.00%
Other expenses	799,887	868,392	-7.89%	394,871	451,434	-12.53%
Totals	\$ 11,219,444	10,861,593	3.29%	8,917,806	7,872,282	13.28%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,098,111.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,203,527.
- The net cost of governmental activities was financed with \$3,361,533 in property tax, \$250,787 in income surtax, \$676,851 in statewide sales, services and use tax, \$4,366,462 in unrestricted state grants, \$107,135 in nonspecific program federal grants, \$129,269 in interest income and \$243,086 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$577,695 and expenses were \$518,895. 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, donations and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,305,360, below last year's ending fund balances of \$3,055,374. The main reason for the decrease in overall fund balance can be attributed to the 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's expenditures outpaced revenues during the year, thus ensuring the decline in fund balance.
- The Capital Projects Accounts balance increased from \$1,314,620 in fiscal 2010 to \$1,374,458 in fiscal 2011. The increase was due to revenues outpacing expenditures during the year. The District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund as a Capital Project Fund.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$108,916 at June 30, 2010 to \$125,226 at June 30, 2011, representing an increase of 14.97%.

The Preschool Fund net assets increased from \$67,285 to \$109,543, representing an increase of 62.80%.

The School Accounts Fund net assets increased from \$9,838 to \$10,070, representing an increase of 2.36%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Monticello Community School District reclassified its budgeted expenditures one time to reflect additional expenditures in the instruction functional area.

The District's revenues were \$166,615 more than budgeted revenues, a variance of 1.41%. 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, 2011, the District had invested \$7,973,767, 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 \$473,598.

The original cost of the District's capital assets was \$15,134,503. Governmental funds account for \$14,890,645 with the remainder of \$243,858 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$918,228 at June 30, 2011 compared to \$548,481 at June 30, 2010 due to computer equipment and vehicle additions during the year.

	Governmental		Business type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Land	\$ 149,802	149,802	0	0	149,802	149,802	0.00%
Buildings	6,258,111	6,329,724	0	0	6,258,111	6,329,724	-1.13%
Land improvements	647,626	643,952	0	0	647,626	643,952	0.57%
Machinery and equipment	869,474	495,370	48,754	53,111	918,228	548,481	67.41%
Total	\$ 7,925,013	7,618,848	48,754	53,111	7,973,767	7,671,959	3.93%

Long-Term Debt

At June 30, 2011, the District had \$3,511,255 in long-term debt outstanding. This represents a decrease of 14.53% 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 \$3,220,000 at June 30, 2011. These bonds will continue to be paid until 2016.

The District had outstanding early retirement payable from the Management Fund of \$156,121 at June 30, 2011.

The District had outstanding compensated absences payable from the General Fund of \$28,247 as of June 30, 2011.

The District had a net OPEB liability of \$106,887 as of June 30, 2011.

	Governmental		Business type		Total		Total Change June 30, 2010-11
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
General obligation bonds	\$ 3,220,000	3,800,000	0	0	3,220,000	3,800,000	-15.26%
Early retirement	156,121	223,604	0	0	156,121	223,604	-30.18%
Compensated absences	28,247	32,076	0	0	28,247	32,076	-11.94%
Net OPEB liability	104,944	51,711	1,943	958	106,887	52,669	102.94%
Total	\$ 3,509,312	4,107,391	1,943	958	3,511,255	4,108,349	-14.53%

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

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,029,361	202,950	3,232,311
Receivables:			
Property tax:			
Delinquent	32,923	0	32,923
Succeeding year	3,702,426	0	3,702,426
Income surtax	241,171	0	241,171
Accounts	24,066	899	24,965
Due from other governments	430,239	0	430,239
Inventories	0	7,614	7,614
Capital assets, net of accumulated depreciation	7,925,013	48,754	7,973,767
TOTAL ASSETS	15,385,199	260,217	15,645,416
LIABILITIES			
Accounts payable	238,724	498	239,222
Salaries and benefits payable	770,200	4,642	774,842
Interest payable	19,775	0	19,775
Deferred revenue:			
Succeeding year property tax	3,702,426	0	3,702,426
Other	202,305	0	202,305
Unearned revenue	0	8,295	8,295
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	600,000	0	600,000
Early retirement	52,040	0	52,040
Compensated absences	28,247	0	28,247
Portion due after one year:			
General obligation bonds	2,620,000	0	2,620,000
Early retirement	104,081	0	104,081
Net OPEB liability	104,944	1,943	106,887
TOTAL LIABILITIES	8,442,742	15,378	8,458,120
NET ASSETS			
Invested in capital assets, net of related debt	4,705,013	48,754	4,753,767
Restricted for:			
Categorical funding	320,335	0	320,335
Student activities	129,956	0	129,956
Debt service	78,369	0	78,369
School infrastructure	951,161	0	951,161
Physical plant and equipment	423,297	0	423,297
Unrestricted	334,326	196,085	530,411
TOTAL NET ASSETS	\$ 6,942,457	244,839	7,187,296

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,944,347	514,194	118,954	0	(3,311,199)	0	(3,311,199)
Special	1,629,203	300,736	167,437	0	(1,161,030)	0	(1,161,030)
Other	1,378,938	267,894	383,287	0	(727,757)	0	(727,757)
	<u>6,952,488</u>	<u>1,082,824</u>	<u>669,678</u>	<u>0</u>	<u>(5,199,986)</u>	<u>0</u>	<u>(5,199,986)</u>
Support services:							
Student	566,393	0	76,700	0	(489,693)	0	(489,693)
Instructional	748,817	0	0	0	(748,817)	0	(748,817)
Administration	941,184	0	0	0	(941,184)	0	(941,184)
Operation and maintenance of plant	853,913	0	0	22,740	(831,173)	0	(831,173)
Transportation	356,152	15,287	29,393	0	(311,472)	0	(311,472)
	<u>3,466,459</u>	<u>15,287</u>	<u>106,093</u>	<u>22,740</u>	<u>(3,322,339)</u>	<u>0</u>	<u>(3,322,339)</u>
Non-instructional programs:							
Community service operations	610	0	0	0	(610)	0	(610)
Other expenditures:							
Long-term debt interest	133,715	0	0	0	(133,715)	0	(133,715)
AEA flowthrough	405,016	0	405,016	0	0	0	0
Depreciation(unallocated)*	261,156	0	0	0	(261,156)	0	(261,156)
	<u>799,887</u>	<u>0</u>	<u>405,016</u>	<u>0</u>	<u>(394,871)</u>	<u>0</u>	<u>(394,871)</u>
Total governmental activities	11,219,444	1,098,111	1,180,787	22,740	(8,917,806)	0	(8,917,806)
Business type activities:							
Support services:							
Administration	7,000	0	0	0	0	(7,000)	(7,000)
Operation and maintenance of plant	1,023	0	0	0	0	(1,023)	(1,023)
	<u>8,023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,023)</u>	<u>(8,023)</u>
Non-instructional programs:							
Nutrition services	482,800	299,648	202,862	0	0	19,710	19,710
Preschool	27,238	69,396	100	0	0	42,258	42,258
School accounts	834	0	0	0	0	(834)	(834)
	<u>510,872</u>	<u>369,044</u>	<u>202,962</u>	<u>0</u>	<u>0</u>	<u>61,134</u>	<u>61,134</u>
Total business type activities	518,895	369,044	202,962	0	0	53,111	53,111
Total	\$ 11,738,339	1,467,155	1,383,749	22,740	(8,917,806)	53,111	(8,864,695)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,033,870	0	3,033,870
Debt service					33,299	0	33,299
Capital outlay					294,364	0	294,364
Income surtax					250,787	0	250,787
Statewide sales, service and use tax					676,851	0	676,851
Unrestricted state grants					4,366,462	0	4,366,462
Nonspecific program federal grants					107,135	0	107,135
Unrestricted investment earnings					129,269	1,592	130,861
Other					243,086	4,097	247,183
Total general revenues					<u>9,135,123</u>	<u>5,689</u>	<u>9,140,812</u>
Change in net assets					217,317	58,800	276,117
Net assets beginning of year					6,725,140	186,039	6,911,179
Net assets end of year					<u>\$ 6,942,457</u>	<u>244,839</u>	<u>7,187,296</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,486,222	1,226,288	316,851	3,029,361
Receivables:				
Property tax:				
Delinquent	28,599	2,776	1,548	32,923
Succeeding year	3,100,478	303,830	298,118	3,702,426
Income surtax	241,171	0	0	241,171
Accounts	24,066	0	0	24,066
Due from other governments	262,745	167,485	9	430,239
Total assets	\$ 5,143,281	1,700,379	616,526	7,460,186
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 208,809	22,091	7,824	238,724
Salaries and benefits payable	770,200	0	0	770,200
Deferred revenue:				
Succeeding year property tax	3,100,478	303,830	298,118	3,702,426
Income surtax	241,171	0	0	241,171
Other	202,305	0	0	202,305
Total liabilities	4,522,963	325,921	305,942	5,154,826
Fund balances:				
Restricted for:				
Categorical funding	320,335	0	0	320,335
Management levy purposes	0	0	119,716	119,716
Student activities	0	0	129,956	129,956
Debt service	0	0	78,369	78,369
School infrastructure	0	951,161	0	951,161
Physical plant and equipment	0	423,297	0	423,297
Unassigned:				
General	299,983	0	0	299,983
Student activities	0	0	(17,457)	(17,457)
Total fund balances	620,318	1,374,458	310,584	2,305,360
Total liabilities and fund balances	\$ 5,143,281	1,700,379	616,526	7,460,186

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$	2,305,360
 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.		7,925,013
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.		(19,775)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		241,171
Long-term liabilities, including bonds payable, early retirement payable, compensated absence payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(3,509,312)</u>
Net assets of governmental activities(page 18)	\$	<u><u>6,942,457</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,102,754	971,215	158,557	4,232,526
Tuition	759,880	0	0	759,880
Other	370,222	60,114	358,361	788,697
Intermediate sources	2,000	0	0	2,000
State sources	5,007,837	579	153	5,008,569
Federal sources	565,704	22,740	0	588,444
Total revenues	9,808,397	1,054,648	517,071	11,380,116
Expenditures:				
Current:				
Instruction:				
Regular	3,968,811	0	144,237	4,113,048
Special	1,613,873	0	0	1,613,873
Other	1,078,466	0	316,268	1,394,734
	6,661,150	0	460,505	7,121,655
Support services:				
Student	560,368	0	0	560,368
Instructional	734,412	0	0	734,412
Administration	935,772	0	0	935,772
Operation and maintenance of plant	809,686	37	45,809	855,532
Transportation	491,566	87,186	0	578,752
	3,531,804	87,223	45,809	3,664,836
Non-instructional programs:				
Community service operations	610	0	0	610
Other expenditures:				
Facilities acquisitions	0	221,992	0	221,992
Long-term debt:				
Principal	0	0	580,000	580,000
Interest and fiscal charges	0	0	140,157	140,157
AEA flowthrough	405,016	0	0	405,016
	405,016	221,992	720,157	1,347,165
Total expenditures	10,598,580	309,215	1,226,471	12,134,266
Excess(Deficiency) of revenues over(under)expenditures	(790,183)	745,433	(709,400)	(754,150)
Other financing sources(uses):				
Transfer in	0	0	685,595	685,595
Transfer out	0	(685,595)	0	(685,595)
Sale of equipment	4,136	0	0	4,136
Total other financing sources(uses)	4,136	(685,595)	685,595	4,136
Net change in fund balances	(786,047)	59,838	(23,805)	(750,014)
Fund balance beginning of year, as restated	1,406,365	1,314,620	334,389	3,055,374
Fund balance end of year	\$ 620,318	1,374,458	310,584	2,305,360

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (750,014)

**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 and depreciation expense for the current year are as follows:

Capital expenditures	\$ 768,975	
Depreciation expense	<u>(462,810)</u>	306,165

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		580,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

		6,442
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

		56,645
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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	\$ 3,829	
Early retirement	67,483	
Other postemployment benefits	<u>(53,233)</u>	<u>18,079</u>

Changes in net assets of governmental activities(page 19) \$ 217,317

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Pre- School	School Accounts	Total
Assets				
Cash and pooled investments	\$ 83,337	109,543	10,070	202,950
Accounts receivable	899	0	0	899
Inventories	7,614	0	0	7,614
Capital assets, net of accumulated depreciation	48,754	0	0	48,754
Total assets	140,604	109,543	10,070	260,217
Liabilities				
Accounts payable	498	0	0	498
Salaries and benefits payable	4,642	0	0	4,642
Unearned revenues	8,295	0	0	8,295
Net OPEB liability	1,943	0	0	1,943
Total liabilities	15,378	0	0	15,378
Net Assets				
Invested in capital assets	48,754	0	0	48,754
Unrestricted	76,472	109,543	10,070	196,085
Total Net Assets	\$ 125,226	109,543	10,070	244,839

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Pre- School	School Accounts	Total
Operating revenue:				
Local sources:				
Charges for services	\$ 299,648	69,396	0	369,044
Donations	0	100	0	100
Miscellaneous	3,031	0	1,066	4,097
Total operating revenue	<u>302,679</u>	<u>69,496</u>	<u>1,066</u>	<u>373,241</u>
Operating expenses:				
Support services:				
Administration:				
Services	7,000	0	0	7,000
Operation and maintenance of plant:				
Services	1,023	0	0	1,023
Total support services	<u>8,023</u>	<u>0</u>	<u>0</u>	<u>8,023</u>
Non-instructional programs:				
Food service operations:				
Salaries	182,098	0	0	182,098
Benefits	43,984	0	0	43,984
Services	3,167	0	0	3,167
Supplies	240,595	0	0	240,595
Depreciation	10,788	0	0	10,788
Other	104	0	0	104
	<u>480,736</u>	<u>0</u>	<u>0</u>	<u>480,736</u>
Other enterprise operations:				
Supplies	0	0	834	834
Community service operations:				
Salaries	0	10,578	0	10,578
Benefits	0	1,590	0	1,590
Supplies	0	15,070	0	15,070
	<u>0</u>	<u>27,238</u>	<u>0</u>	<u>27,238</u>
Total non-instructional programs	<u>480,736</u>	<u>27,238</u>	<u>834</u>	<u>508,808</u>
Total operating expenses	<u>488,759</u>	<u>27,238</u>	<u>834</u>	<u>516,831</u>
Operating income(loss)	<u>(186,080)</u>	<u>42,258</u>	<u>232</u>	<u>(143,590)</u>
Non-operating revenues(expenses):				
State sources	4,399	0	0	4,399
Federal sources	198,463	0	0	198,463
Interest income	1,592	0	0	1,592
Loss on asset disposal	(2,064)	0	0	(2,064)
Total non-operating revenues(expenses)	<u>202,390</u>	<u>0</u>	<u>0</u>	<u>202,390</u>
Changes in net assets	16,310	42,258	232	58,800
Net assets beginning of year	<u>108,916</u>	<u>67,285</u>	<u>9,838</u>	<u>186,039</u>
Net assets end of year	<u>\$ 125,226</u>	<u>109,543</u>	<u>10,070</u>	<u>244,839</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Pre- School	School Accounts	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 300,241	0	0	300,241
Cash received from fees for preschool services	0	69,396	0	69,396
Cash received from miscellaneous operating activities	3,031	100	1,066	4,197
Cash payments to employees for services	(227,415)	(12,481)	0	(239,896)
Cash payments to suppliers for goods or services	(231,202)	(15,070)	(834)	(247,106)
Net cash provided by(used in) operating activities	<u>(155,345)</u>	<u>41,945</u>	<u>232</u>	<u>(113,168)</u>
Cash flows from non-capital financing activities:				
State grants received	4,399	0	0	4,399
Federal grants received	178,677	0	0	178,677
Net cash provided by non-capital financing activities	<u>183,076</u>	<u>0</u>	<u>0</u>	<u>183,076</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(8,495)	0	0	(8,495)
Cash flows from investing activities:				
Interest on investments	1,592	0	0	1,592
Net increase in cash and cash equivalents	20,828	41,945	232	63,005
Cash and cash equivalents at beginning of year	62,509	67,598	9,838	139,945
Cash and cash equivalents at end of year	<u>\$ 83,337</u>	<u>109,543</u>	<u>10,070</u>	<u>202,950</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (186,080)	42,258	232	(143,590)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	19,786	0	0	19,786
Depreciation	10,788	0	0	10,788
Decrease in inventories	502	0	0	502
Increase in accounts receivable	(899)	0	0	(899)
Increase in accounts payable	399	0	0	399
Decrease in salaries and benefits payable	(2,318)	(313)	0	(2,631)
Increase in unearned revenue	1,492	0	0	1,492
Increase in other postemployment benefits	985	0	0	985
Net cash provided by(used in) operating activities	<u>\$ (155,345)</u>	<u>41,945</u>	<u>232</u>	<u>(113,168)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$19,786.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust	
	Scholarship Fund	Agency
Assets		
Cash and pooled investments	\$ 17,250	8,305
Liabilities		
Due to other groups	0	8,305
Net Assets		
Restricted for scholarships	\$ 17,250	0

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship Fund</u>
Additions:	
Local sources:	
Interest	\$ 3,331
Contributions	1,000
Total additions	<u>4,331</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,985</u>
Change in net assets	(654)
Net assets beginning of year	<u>17,904</u>
Net assets end of year	<u>\$ 17,250</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

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 used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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 fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$606 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, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	<u>\$ 685,595</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed 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, 2011 is as follows:

	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	9,757,219	115,085	0	9,872,304
Land improvements	2,210,846	78,132	0	2,288,978
Machinery and equipment	3,898,442	575,758	1,894,639	2,579,561
Total capital assets being depreciated	<u>15,866,507</u>	<u>768,975</u>	<u>1,894,639</u>	<u>14,740,843</u>
Less accumulated depreciation for:				
Buildings	3,427,495	186,698	0	3,614,193
Land improvements	1,566,894	74,458	0	1,641,352
Machinery and equipment	3,403,072	201,654	1,894,639	1,710,087
Total accumulated depreciation	<u>8,397,461</u>	<u>462,810</u>	<u>1,894,639</u>	<u>6,965,632</u>
Total capital assets being depreciated, net	<u>7,469,046</u>	<u>306,165</u>	<u>0</u>	<u>7,775,211</u>
Governmental activities capital assets, net	<u>\$ 7,618,848</u>	<u>306,165</u>	<u>0</u>	<u>7,925,013</u>
Business type activities:				
Machinery and equipment	\$ 240,078	8,495	4,715	243,858
Less accumulated depreciation	186,967	10,788	2,651	195,104
Business type activities capital assets, net	<u>\$ 53,111</u>	<u>(2,293)</u>	<u>2,064</u>	<u>48,754</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 50,046
Special	8,429
Other	8,070
Support services:	
Student	5,039
Instructional staff	28,764
Administration	2,525
Operation and maintenance of plant	10,901
Transportation	87,880
	<u>201,654</u>
Unallocated depreciation	<u>261,156</u>
Total governmental activities depreciation expense	<u>\$ 462,810</u>
Business type activities:	
Food services	<u>\$ 10,788</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,800,000	0	580,000	3,220,000	600,000
Early retirement	223,604	0	67,483	156,121	52,040
Compensated absences	32,076	28,247	32,076	28,247	28,247
Net OPEB liability	51,711	53,233	0	104,944	0
Total	\$ 4,107,391	81,480	679,559	3,509,312	680,287
Business type activities:					
Net OPEB liability	\$ 958	985	0	1,943	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, 2011 the District paid \$67,483 in benefits.

General Obligation Bonds Payable

Details of the District's June 30, 2011 General Obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2005		
		Principal	Interest	Total
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		\$ 3,220,000	368,782	3,588,782

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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$418,723, \$395,638 and \$369,356, 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, 2011 were \$875,065.

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)

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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 64,511
Interest on net OPEB obligation	1,317
Adjustment to annual required contribution	(4,730)
Annual OPEB cost	<u>61,098</u>
Contributions made	<u>(6,880)</u>
Increase in net OPEB obligation	54,218
Net OPEB obligation beginning of year	52,669
Net OPEB obligation end of year	<u><u>\$ 106,887</u></u>

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, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 60,081	12.34%	\$ 52,669
2011	\$ 61,098	11.26%	\$ 106,887

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$493,381, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$493,381. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.541 million and the ratio of the UAAL to covered payroll was 10.86%.

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 \$405,016 for the year ended June 30, 2011 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 restricted balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 811
Gifted and talented	9,204
Teacher salary supplement	92,460
Market factor	293
Early intervention	121,805
Statewide voluntary preschool	34,132
Textbook aid to non-public students	1,358
Model core curriculum	16,808
Professional development	43,464
Total	<u>\$ 320,335</u>

(11) Deficit Unassigned Fund Balance

At June 30, 2011, the Special Revenue: Student Activity Fund had a deficit unassigned fund balance of \$17,457.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 916,020	398,600
Change in fund type classifications per implementation of GASB Statement No. 54	398,600	(398,600)
Balances July 1, 2010, as restated	<u>\$ 1,314,620</u>	<u>0</u>

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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 5,781,103	374,833	6,155,936	5,890,238	5,890,238	265,698
Intermediate sources	2,000	0	2,000	11,500	11,500	(9,500)
State sources	5,008,569	4,399	5,012,968	5,326,718	5,326,718	(313,750)
Federal sources	588,444	198,463	786,907	562,740	562,740	224,167
Total revenues	<u>11,380,116</u>	<u>577,695</u>	<u>11,957,811</u>	<u>11,791,196</u>	<u>11,791,196</u>	<u>166,615</u>
Expenditures/Expenses:						
Instruction	7,121,655	0	7,121,655	7,034,649	7,494,649	372,994
Support services	3,664,836	8,023	3,672,859	4,360,000	3,900,000	227,141
Non-instructional programs	610	510,872	511,482	775,931	775,931	264,449
Other expenditures	1,347,165	0	1,347,165	1,601,041	1,601,041	253,876
Total expenditures/expenses	<u>12,134,266</u>	<u>518,895</u>	<u>12,653,161</u>	<u>13,771,621</u>	<u>13,771,621</u>	<u>1,118,460</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(754,150)	58,800	(695,350)	(1,980,425)	(1,980,425)	1,285,075
Other financing sources, net	<u>4,136</u>	<u>0</u>	<u>4,136</u>	<u>0</u>	<u>0</u>	<u>4,136</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(750,014)	58,800	(691,214)	(1,980,425)	(1,980,425)	1,289,211
Balance beginning of year	<u>3,055,374</u>	<u>186,039</u>	<u>3,241,413</u>	<u>3,144,097</u>	<u>3,144,097</u>	<u>97,316</u>
Balance end of year	<u>\$ 2,305,360</u>	<u>244,839</u>	<u>2,550,199</u>	<u>1,163,672</u>	<u>1,163,672</u>	<u>1,386,527</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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. During the year ended June 30, 2011, the District adopted one budget amendment, reclassifying \$460,000 of expenditures from the support services functional area to the instruction functional area.

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%
2011	July 1, 2009	-	493	493	0.0%	4,541	10.86%

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Debt Service	
Assets					
Cash and pooled investments	\$ 118,477	119,273	237,750	79,101	316,851
Receivables:					
Property tax:					
Delinquent	1,232	0	1,232	316	1,548
Succeeding year	275,000	0	275,000	23,118	298,118
Due from other governments	7	0	7	2	9
Total assets	\$ 394,716	119,273	513,989	102,537	616,526
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 0	6,774	6,774	1,050	7,824
Deferred revenue:					
Succeeding year property tax	275,000	0	275,000	23,118	298,118
Total liabilities	275,000	6,774	281,774	24,168	305,942
Fund balances:					
Restricted for:					
Management levy purposes	119,716	0	119,716	0	119,716
Student activities	0	129,956	129,956	0	129,956
Debt service	0	0	0	78,369	78,369
Unassigned	0	(17,457)	(17,457)	0	(17,457)
Total fund balances	119,716	112,499	232,215	78,369	310,584
Total liabilities and fund balances	\$ 394,716	119,273	513,989	102,537	616,526

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 125,258	0	125,258	33,299	158,557
Other	14,811	343,550	358,361	0	358,361
State sources	87	0	87	66	153
Total revenues	140,156	343,550	483,706	33,365	517,071
Expenditures:					
Current:					
Instruction:					
Regular	144,237	0	144,237	0	144,237
Other	0	316,268	316,268	0	316,268
Support services:					
Operation and maintenance of plant	45,809	0	45,809	0	45,809
Other expenditures:					
Long-term debt:					
Principal	0	0	0	580,000	580,000
Interest and fiscal charges	0	0	0	140,157	140,157
Total expenditures	190,046	316,268	506,314	720,157	1,226,471
Excess(Deficiency) of revenues over(under) expenditures	(49,890)	27,282	(22,608)	(686,792)	(709,400)
Other financing sources:					
Transfer in	0	0	0	685,595	685,595
Net change in fund balances	(49,890)	27,282	(22,608)	(1,197)	(23,805)
Fund balances beginning of year, as restated	169,606	85,217	254,823	79,566	334,389
Fund balance end of year	\$ 119,716	112,499	232,215	78,369	310,584

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 783,691	442,597	1,226,288
Receivables:			
Property tax:			
Delinquent	0	2,776	2,776
Succeeding year	0	303,830	303,830
Due from other governments	167,470	15	167,485
Total assets	\$ 951,161	749,218	1,700,379
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	22,091	22,091
Deferred revenue:			
Succeeding year property tax	0	303,830	303,830
Total liabilities	0	325,921	325,921
Fund balances:			
Restricted for:			
School infrastructure	951,161	0	951,161
Physical plant and equipment	0	423,297	423,297
Total fund balances	951,161	423,297	1,374,458
Total liabilities and fund balances	\$ 951,161	749,218	1,700,379

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 676,851	294,364	971,215
Other	43,885	16,229	60,114
State sources	0	579	579
Federal sources	0	22,740	22,740
Total revenues	720,736	333,912	1,054,648
Expenditures:			
Support services:			
Operation and maintenance of plant	0	37	37
Transportation	0	87,186	87,186
Other expenditures:			
Facilities acquisitions	0	221,992	221,992
Total expenditures	0	309,215	309,215
Excess of revenues over expenditures	720,736	24,697	745,433
Other financing uses:			
Transfer out	(685,595)	0	(685,595)
Net change in fund balances	35,141	24,697	59,838
Fund balances beginning of year, as restated	916,020	398,600	1,314,620
Fund balance end of year	\$ 951,161	423,297	1,374,458

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech and drama	\$ 12,985	14,268	12,647	14,606
Vocal	6,205	5,730	5,377	6,558
HS music	4,911	6,545	3,914	7,542
Instrumental	2,395	5,299	4,004	3,690
Cross country	0	1,648	1,648	0
Boys basketball-HS	0	1,200	1,238	(38)
Boys basketball	0	8,042	8,042	0
Football-HS	0	2,698	651	2,047
Football	0	9,574	9,574	0
Baseball-HS	0	2,782	1,509	1,273
Baseball	0	7,782	7,782	0
Boys track	0	15,944	15,944	0
Soccer	0	4,244	4,244	0
Boys golf-HS	0	485	0	485
Boys golf	0	1,214	1,214	0
Wrestling-HS	0	3,991	2,947	1,044
Wrestling	0	2,517	2,517	0
Girls basketball-HS	0	3,617	4,398	(781)
Girls basketball	0	16,213	16,213	0
Volleyball-HS	0	2,533	0	2,533
Volleyball	0	6,285	6,285	0
Softball-HS	0	5,142	1,348	3,794
Softball	0	8,928	8,928	0
Girls track-HS	0	1,690	0	1,690
Girls track	0	5,544	5,544	0
Girls golf-HS	0	88	0	88
Girls golf	0	414	414	0
General athletics	(9,756)	70,106	67,407	(7,057)
Student council-HS	3,187	2,018	2,685	2,520
Interest	2,995	0	686	2,309
Student organization	28,524	37,598	33,911	32,211
Yearbook-HS	(11,222)	6,213	4,572	(9,581)
Montisports.org	41	0	0	41
7th grade	2,356	12,264	11,695	2,925
8th grade	1,333	6,258	5,371	2,220
Freshman	2,056	15	723	1,348
Sophomore	2,047	32	0	2,079
Junior	2,758	7,717	8,158	2,317
Senior	9,063	103	342	8,824
FFA	10,749	25,248	24,819	11,178
BPA	3,360	7,331	8,001	2,690
Coffee club	3,400	1,356	228	4,528
International club	1,005	1,758	1,212	1,551
Sixth grade	2,280	666	460	2,486
Cheerleader	3,305	17,317	17,555	3,067
Dance team	1,240	3,133	2,061	2,312
Total	<u>\$ 85,217</u>	<u>343,550</u>	<u>316,268</u>	<u>112,499</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
Assets					
Cash and pooled investments	\$ 2,945	500	1,526	12,279	17,250
Liabilities					
	0	0	0	0	0
Net Assets					
Restricted for scholarships	\$ 2,945	500	1,526	12,279	17,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
Additions:					
Local sources:					
Interest	\$ 116	0	0	3,215	3,331
Contributions	0	500	500	0	1,000
Total additions	116	500	500	3,215	4,331
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	0	500	500	3,985	4,985
Changes in net assets	116	0	0	(770)	(654)
Net assets beginning of year	2,829	500	1,526	13,049	17,904
Net assets end of year	\$ 2,945	500	1,526	12,279	17,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 7,321	1,052	68	8,305
Liabilities				
Accounts payable	\$ 59	0	59	0
Due to other groups	7,262	1,052	9	8,305
Total Liabilities	\$ 7,321	1,052	68	8,305

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 4,232,526	4,002,767	3,929,412	3,826,081	4,174,905	4,310,031	4,372,964	4,134,270
Tuition	759,880	755,670	659,293	526,242	481,671	586,557	448,168	421,871
Other	788,697	520,340	622,440	603,091	821,359	653,247	515,437	453,113
Intermediate sources	2,000	14,234	11,500	8,486	5,000	0	9,564	11,500
State sources	5,008,569	4,367,090	5,032,559	4,863,323	4,492,351	4,257,420	3,916,593	3,871,736
Federal sources	588,444	812,137	399,212	296,740	265,660	384,005	258,632	466,285
Total	\$ 11,380,116	10,472,238	10,654,416	10,123,963	10,240,946	10,191,260	9,521,358	9,358,775
Expenditures:								
Instruction:								
Regular	\$ 4,113,048	3,873,850	3,672,094	3,582,227	3,217,177	3,209,124	2,928,810	2,987,594
Special	1,613,873	1,412,349	1,490,630	1,262,905	1,176,672	1,204,034	1,090,021	1,019,440
Other	1,394,734	1,198,088	1,127,497	1,127,887	1,172,626	895,569	888,058	755,989
Support services:								
Student	560,368	527,586	454,886	390,509	361,174	309,830	322,402	452,813
Instructional	734,412	527,643	498,005	311,762	174,757	332,202	240,294	250,711
Administration	935,772	924,900	927,515	826,027	942,843	754,436	797,328	897,437
Operation and maintenance of plant	855,532	814,809	798,079	778,701	741,601	830,135	777,994	590,786
Transportation	578,752	504,206	577,643	447,587	460,909	425,707	488,085	319,138
Non-instructional programs:								
Community service operations	610	0	364	648	0	0	0	0
Other expenditures:								
Facilities acquisitions	221,992	106,831	208,877	172,991	71,302	228,514	405,016	512,119
Long-term debt:								
Principal	580,000	565,000	545,000	530,000	465,000	499,470	410,000	390,000
Interest and fiscal charges	140,157	157,303	177,242	192,823	496,835	449,128	345,874	367,645
AEA flow-through	405,016	402,724	367,852	348,272	325,674	303,507	294,542	299,347
Total	\$ 12,134,266	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, 2011

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	FY11	\$ 21,522
National School Lunch Program	10.555	FY11	176,941 *
			<u>198,463</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	126,746
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	31,172
			<u>157,918</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	<u>8,209</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY11	<u>400</u>
Fund for the Improvement of Education (Fire Life Safety Grant)	84.215	FY11	<u>22,740</u>
Improving Teacher Quality State Grants	84.367	FY11	<u>40,528</u>
Grants for State Assessment and Related Activities	84.369	FY11	<u>6,695</u>
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	FY11	<u>108,217</u>
Area Education Agency:			
Special Education Cluster:			
Special Education - Grants to States	84.027	FY11	54,057
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	113,380
			<u>167,437</u>
TOTAL			<u>\$ 710,607</u>

* - Includes \$19,786 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.

Certified Public Accountants

(a professional corporation)

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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2012. 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-11 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 item II-B-11 to be a significant deficiency.

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, 2011 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, P.C.

March 22, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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Independent Auditor's Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on 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 could have a direct and material effect on each of Monticello Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

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-11 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 III of the accompanying Schedule of Findings and Questioned Costs as item III-B-11 to be a significant deficiency.

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.

March 22, 2012

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency 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 significant deficiency and a material weakness in internal control over major programs were 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:
 - Clustered Programs:
 - Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Part B Cluster:
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.391 - Special Education - Grants to States (Part B)
- (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, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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-11 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. The District should review payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - The District will have the Athletic Director implement procedures to record the hours worked.

Conclusion - Response accepted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education - Grants to States (Part B)
CFDA Number 84.391: Special Education - Grants to States (Part B)
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 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.

III-B-11 Payroll Procedures - We noted during our audit that the District does not currently utilize a payroll form showing the amount of time spent and amount of salary of each employee that is paid using federal grant moneys received by the District. OMB Circular A87 on allowable costs requires that the District maintain documentation as to which employees are paid with federal grant money and what portion of the employees' salary is paid with federal grant money.

Recommendation - The District should review OMB Circular A-87 requirements and implement procedures to ensure compliance. The District may have one for the year if the employees' salary is funded entirely with federal grant money. However, if a portion is funded with federal money, the District must have time sheets to show the amount of time spent on each grant or a contract that identifies the portion with federal grant money.

Response - The District will implement necessary documentation as required.

Conclusion - Response accepted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 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-11 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-11 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	\$3,036
Amanda Hackney, Cheer Sponsor, Owns Jones County Spirits Screen Printing	Clothing	\$1,962
Stephanie LaBarge, Associate Spouse owns LaBarge Printing	Contracting painting	\$2,550
Kathy Harms, Teacher Spouse owns Subway	Food	\$273
Daniel Sauser, Teacher Father-in-law owns Welter Storage	Supplies	\$982
Diane Deppe-Haag, Teaching Associate Spouse manages Spahn & Rose Lumber	Supplies	\$22,903
Sheree Doyle, Employee Sister owns Chapman Brothers Export	Lumber	\$1,386
Connie Reyner, Business Manager Brother-in-law owns Darrell's	Supplies	\$1,683
Callie Ehrisman, Teacher Mother owns Brier Rose	Supplies	\$247
Callie Kromminga-Smith, Teacher Father owns Kromminga Motors	Services	\$3,661
Steve Holmes, Coach Father owns Holmes Transmission	Purchase service	\$2,722
Pat Kelly, Food Service Director Spouse owns Kelly's Country Oven	Food	\$226

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 sister, mother, father, spouses, father-in-law, and brother-in-law of the District’s employees do not appear to represent a conflict of interest.

- IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 916,020
Revenues/transfers in:		
Sales tax revenues	\$ 676,851	
Other local revenues	43,885	720,736
		1,636,756
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		685,595
Ending balance		\$ 951,161

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 2.32000</u>	<u>\$ 685,595</u>