

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

JUNE 30, 2014

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# Monticello Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Jeff Hinrichs	President	2013
Chris Brokaw	Vice President	2015
Angie Beitz	Board Member	2013
Peg Mere	Board Member	2013
Kevin Gray	Board Member	2015
<b>(After September 2013 Election)</b>		
Chris Brokaw	President	2015
Angie Beitz	Vice President	2017
Bud Johnson	Board Member	2017
Peg Mere	Board Member	2017
Kevin Gray	Board Member	2015
<b>School Officials</b>		
Chris Anderson	Superintendent	2014
Judy Hayen	District Secretary	2014
Karla Hogan	Comptroller	2014
Gruhn Law Firm	Attorney	2014
Lynch Dallas, P.C.	Attorney	2014

**MONTICELLO COMMUNITY SCHOOL DISTRICT**

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(A professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Monticello Community School District:**

**Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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 as of June 30, 2014, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monticello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2015 on our consideration so Monticello Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, 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 in considering Monticello Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2015  
Newton, Iowa

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

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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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,805,429 in fiscal year 2013 to \$11,678,910 in fiscal year 2014 and General Fund expenditures increased from \$10,720,370 in fiscal 2013 to \$11,489,423 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$485,602 at June 30, 2013 to \$675,089 at June 30, 2014, a 39.02% increase from the prior year.
- The General Fund increase in revenues was mainly due to an increase in property tax and state revenues received during the year. The increase in expenditures was due to the increase in the instructional functional area expenditures when 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 Position 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.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

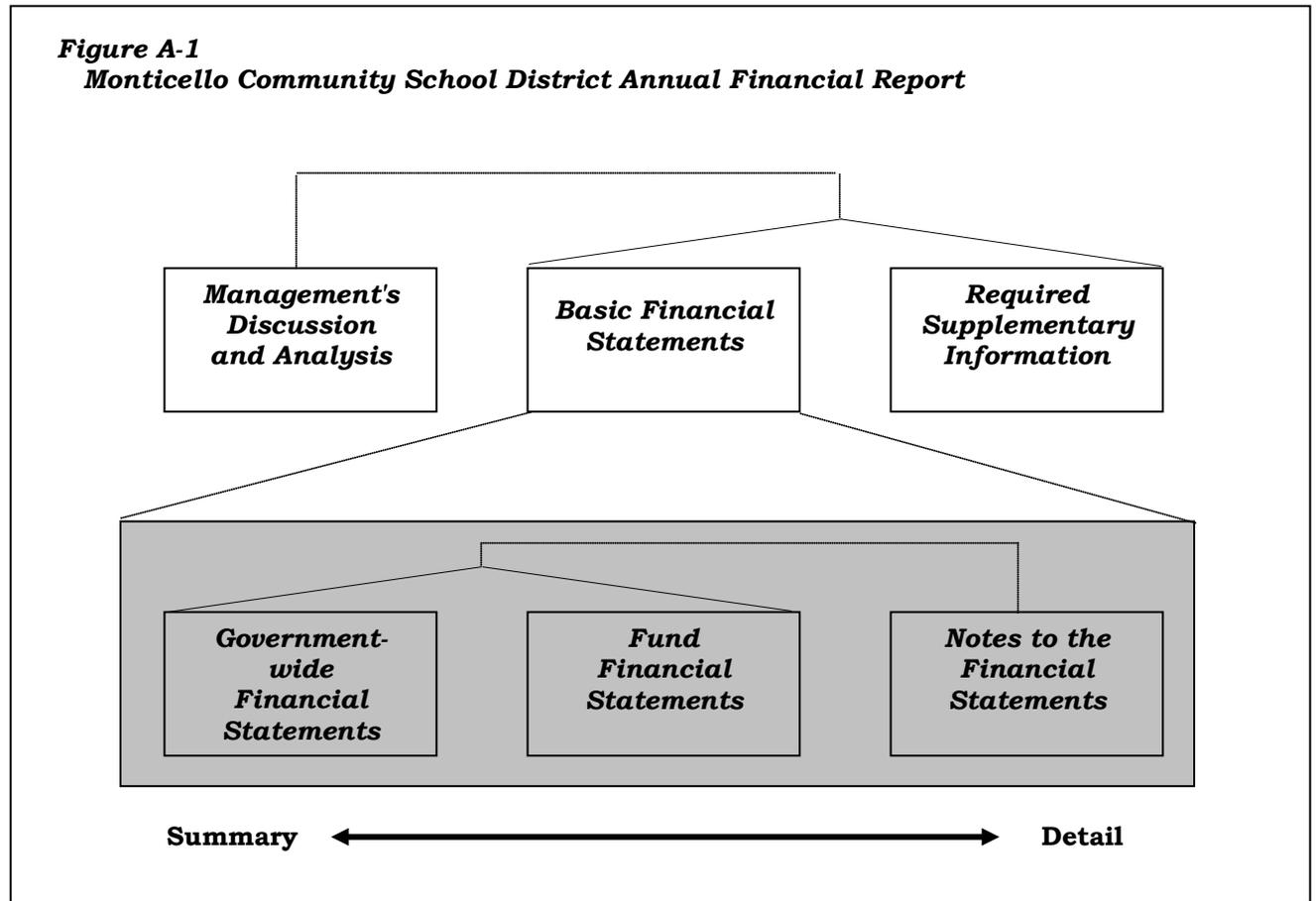


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 four Enterprise Funds, the School Nutrition Fund, the Daycare Fund, the School Accounts Fund and the Preschool Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency 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 Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 9,333,900	8,394,311	327,966	281,944	9,661,866	8,676,255	11.36%
Capital assets	7,451,547	7,866,911	60,141	67,075	7,511,688	7,933,986	-5.32%
Total assets	16,785,447	16,261,222	388,107	349,019	17,173,554	16,610,241	3.39%
Long-term liabilities	1,666,230	2,326,653	5,849	4,602	1,672,079	2,331,255	-28.28%
Other liabilities	1,251,640	1,050,757	26,097	29,147	1,277,737	1,079,904	18.32%
Total liabilities	2,917,870	3,377,410	31,946	33,749	2,949,816	3,411,159	-13.52%
Deferred inflows of resources	4,510,399	4,366,680	-	-	4,510,399	4,366,680	3.29%
Net position:							
Net investment in capital assets	6,096,547	5,841,911	60,141	67,075	6,156,688	5,908,986	4.19%
Restricted	2,837,069	2,431,917	-	-	2,837,069	2,431,917	16.66%
Unrestricted	423,562	243,304	296,020	248,195	719,582	491,499	46.41%
Total net position	\$ 9,357,178	8,517,132	356,161	315,270	9,713,339	8,832,402	9.97%

The District's combined net position increased by \$880,937, or 9.97%, over the prior year. The largest portion of the District's net position is 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by \$405,152, or 16.66% from the prior year. The increase in restricted net position was mainly due to the increase in the Capital Projects account balances as compared to the previous year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$228,083, or 46.41%, from the prior year. The increase in General Fund unassigned balance is the main factor for the increase in unrestricted net position.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 1,327,451	1,267,729	457,125	434,758	1,784,576	1,702,487	4.82%
Operating grants, contributions and restricted interest	1,177,402	1,044,322	232,744	222,080	1,410,146	1,266,402	11.35%
Capital grants, contributions and restricted interest	14,704	47,865	-	-	14,704	47,865	-69.28%
<b>General revenues:</b>							
Property tax	4,373,333	3,973,244	-	-	4,373,333	3,973,244	10.07%
Income surtax	382,005	260,074	-	-	382,005	260,074	46.88%
Statewide sales, services and use tax	891,869	842,949	-	-	891,869	842,949	5.80%
Unrestricted state grants	5,322,518	5,046,904	-	-	5,322,518	5,046,904	5.46%
Unrestricted investment earnings	70,886	65,260	6,045	4,796	76,931	70,056	9.81%
Other	70,397	82,435	2,638	3,257	73,035	85,692	-14.77%
<b>Total revenues</b>	<b>13,630,565</b>	<b>12,630,782</b>	<b>698,552</b>	<b>664,891</b>	<b>14,329,117</b>	<b>13,295,673</b>	<b>7.77%</b>
<b>Program expenses:</b>							
Instructional	8,125,788	7,417,706	663	939	8,126,451	7,418,645	9.54%
Support services	3,995,510	3,611,151	13,572	12,355	4,009,082	3,623,506	10.64%
Non-instructional programs	-	-	643,426	627,854	643,426	627,854	2.48%
Other expenses	669,221	729,616	-	-	669,221	729,616	-8.28%
<b>Total expenses</b>	<b>12,790,519</b>	<b>11,758,473</b>	<b>657,661</b>	<b>641,148</b>	<b>13,448,180</b>	<b>12,399,621</b>	<b>8.46%</b>
<b>Change in net position</b>	<b>840,046</b>	<b>872,309</b>	<b>40,891</b>	<b>23,743</b>	<b>880,937</b>	<b>896,052</b>	<b>-1.69%</b>
<b>Net position beginning of year</b>	<b>8,517,132</b>	<b>7,644,823</b>	<b>315,270</b>	<b>291,527</b>	<b>8,832,402</b>	<b>7,936,350</b>	<b>11.29%</b>
<b>Net position end of year</b>	<b>\$ 9,357,178</b>	<b>8,517,132</b>	<b>356,161</b>	<b>315,270</b>	<b>9,713,339</b>	<b>8,832,402</b>	<b>9.97%</b>

Property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 80.48% of the revenue from governmental activities while charges for service and sales and operating grants, contributions and restricted interest accounted for 98.76% of the revenue from business type activities.

The District's total revenues were approximately \$14.33 million, of which approximately \$13.63 million was for governmental activities and approximately \$0.70 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.77% increase in revenues and an 8.46% increase in expenses. Property tax increased approximately \$400,089 to fund the increase in expenses, which occurred primarily in the instruction and support services functional areas.

## Governmental Activities

Revenues for governmental activities were \$13,630,565 and expenses were \$12,790,519.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 8,125,788	7,417,706	9.55%	6,087,581	5,546,974	9.75%
Support services	3,995,510	3,611,151	10.64%	3,929,315	3,510,353	11.94%
Other expenses	669,221	729,616	-8.28%	254,066	341,230	-25.54%
Totals	\$ 12,790,519	11,758,473	8.78%	10,270,962	9,398,557	9.28%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,327,451.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$1,192,106.
- The net cost of governmental activities was financed with \$4,373,333 in property tax, \$382,005 in income surtax, \$891,869 in statewide sales, services and use tax, \$5,322,518 in unrestricted state grants, \$70,886 in interest income and \$70,397 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$698,552 and expenses were \$657,661. The District's business type activities include the School Nutrition Fund, the Daycare Fund, the Preschool Fund and School Accounts Fund. Revenues of these activities were largely comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,317,470, above last year's ending fund balances of \$2,732,343. The largest improvements occurred in the Capital Projects Fund and the General Fund.

## Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. The increase in revenues can be attributed to an increase in property tax and state source revenues in the current year. The increase in expenditures can be attributable to the increase in expenditures in the instruction and support services functional areas. The District's revenues outpaced expenditures during the year, thus ensuring the increase in fund balance.
- The Capital Projects Fund balance increased from \$1,772,377 at June 30, 2013 to \$2,075,436 at June 30, 2014. The increase was due in part to an increase in statewide sales, services and use tax received during fiscal year 2014 when compared with the prior year.

## Proprietary Funds Highlights

The School Nutrition Fund net position decreased from \$138,474 at June 30, 2013 to \$134,891 at June 30, 2014, representing a decrease of 2.59%.

The Daycare Fund net position increased to \$6,737 at June 30, 2014 from deficit \$5,149 at June 30, 2013, representing an increase of 230.84%.

The Preschool Fund net position increased from \$170,494 at June 30, 2013 to \$202,941 at June 30, 2014, representing an increase of 19.03%.

The School Accounts Fund net position increased from \$11,451 at June 30, 2013 to \$11,592 at June 30, 2014, representing an increase of 1.23%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$452,802 more than budgeted revenues, a variance of 3.26%. The most significant variance resulted from the District receiving more 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, 2014, the District had invested \$7,511,688, 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 6 to the financial statements. Depreciation expense for the year was \$372,488.

The original cost of the District's capital assets was \$14,755,545. Governmental funds account for \$14,465,080 with the remainder of \$290,465 in the Proprietary Funds.

The largest percentage change in capital asset activity during the year occurred in construction in progress. The District has completed various projects, such as a baseball field press box and a window project.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 200,900	200,900	-	-	200,900	200,900	0.00%
Construction in progress	-	131,463	-	-	-	131,463	-100.00%
Buildings	6,257,889	6,287,192	-	-	6,257,889	6,287,192	-0.47%
Land improvements	328,545	378,583	-	-	328,545	378,583	-13.22%
Machinery and equipment	664,213	868,773	60,141	67,075	724,354	935,848	-22.60%
<b>Total</b>	<b>\$ 7,451,547</b>	<b>7,866,911</b>	<b>60,141</b>	<b>67,075</b>	<b>7,511,688</b>	<b>7,933,986</b>	<b>-5.32%</b>

## Long-Term Debt

At June 30, 2014, the District had \$1,672,079 in long-term debt outstanding. This represents a decrease of 28.28% 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 \$1,355,000 at June 30, 2014.
- The District had outstanding compensated absences payable from the General Fund of \$26,067 as of June 30, 2014.
- The District had a total net OPEB liability of \$291,012 as of June 30, 2014. Governmental activities account for \$285,163 of the total while business type activities account for the remaining \$5,849.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 1,355,000	2,025,000	-	-	1,355,000	2,025,000	-33.09%
Termination benefits	-	52,040	-	-	-	52,040	-100.00%
Compensated absences	26,067	25,265	-	-	26,067	25,265	3.17%
Net OPEB liability	285,163	224,348	5,849	4,602	291,012	228,950	27.11%
Total	\$ 1,666,230	2,326,653	5,849	4,602	1,672,079	2,331,255	-28.28%

## 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.

## **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 Marcy Gillmore, Business Manager, Monticello Community School District, 711 South Maple Street, Monticello, Iowa, 52310.

BASIC FINANCIAL STATEMENTS

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,687,269	331,631	4,018,900
Receivables:			
Property tax:			
Delinquent	45,489	-	45,489
Succeeding year	4,510,399	-	4,510,399
Income surtax	255,041	-	255,041
Accounts	7,629	345	7,974
Due from(to) other funds	28,358	(28,358)	-
Due from other governments	799,715	14,974	814,689
Inventories	-	9,374	9,374
Capital assets, net of accumulated depreciation	7,451,547	60,141	7,511,688
<b>Total assets</b>	<b>16,785,447</b>	<b>388,107</b>	<b>17,173,554</b>
<b>Liabilities</b>			
Accounts payable	416,293	1,370	417,663
Salaries and benefits payable	830,193	12,301	842,494
Accrued interest payable	650	-	650
Advances from grantors	4,504	-	4,504
Unearned revenue	-	12,426	12,426
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	675,000	-	675,000
Compensated absences	26,067	-	26,067
Portion due after one year:			
General obligation bonds	680,000	-	680,000
Net OPEB liability	285,163	5,849	291,012
<b>Total liabilities</b>	<b>2,917,870</b>	<b>31,946</b>	<b>2,949,816</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,510,399	-	4,510,399
<b>Net Position</b>			
Net investment in capital assets	6,096,547	60,141	6,156,688
Restricted for:			
Categorical funding	190,454	-	190,454
Debt service	92,628	-	92,628
Management levy purposes	336,759	-	336,759
Student activities	141,792	-	141,792
School infrastructure	1,438,945	-	1,438,945
Physical plant and equipment	636,491	-	636,491
Unrestricted	423,562	296,020	719,582
<b>Total net position</b>	<b>\$ 9,357,178</b>	<b>356,161</b>	<b>9,713,339</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,574,631	536,672	70,427	-	(3,967,532)	-	(3,967,532)
Special	2,023,802	480,443	197,523	-	(1,345,836)	-	(1,345,836)
Other	1,527,355	285,476	467,666	-	(774,213)	-	(774,213)
	<u>8,125,788</u>	<u>1,302,591</u>	<u>735,616</u>	<u>-</u>	<u>(6,087,581)</u>	<u>-</u>	<u>(6,087,581)</u>
Support services:							
Student	426,712	-	-	-	(426,712)	-	(426,712)
Instructional	622,851	-	-	-	(622,851)	-	(622,851)
Administration	1,111,358	-	-	-	(1,111,358)	-	(1,111,358)
Operation and maintenance of plant	1,141,059	-	-	14,704	(1,126,355)	-	(1,126,355)
Transportation	693,530	24,860	26,631	-	(642,039)	-	(642,039)
	<u>3,995,510</u>	<u>24,860</u>	<u>26,631</u>	<u>14,704</u>	<u>(3,929,315)</u>	<u>-</u>	<u>(3,929,315)</u>
Long-term debt interest	9,905	-	-	-	(9,905)	-	(9,905)
Other expenditures:							
AEA flowthrough	415,155	-	415,155	-	-	-	-
Depreciation(unallocated)*	244,161	-	-	-	(244,161)	-	(244,161)
	<u>659,316</u>	<u>-</u>	<u>415,155</u>	<u>-</u>	<u>(244,161)</u>	<u>-</u>	<u>(244,161)</u>
Total governmental activities	<u>12,790,519</u>	<u>1,327,451</u>	<u>1,177,402</u>	<u>14,704</u>	<u>(10,270,962)</u>	<u>-</u>	<u>(10,270,962)</u>
Business type activities:							
Instruction:							
Other	663	-	-	-	-	(663)	(663)
Support services:							
Operation and maintenance of plant	13,152	-	-	-	-	(13,152)	(13,152)
Transportation	420	-	-	-	-	(420)	(420)
	<u>13,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,572)</u>	<u>(13,572)</u>
Non-instructional programs:							
Food service operations	563,915	337,641	232,744	-	-	6,470	6,470
Other enterprise operations	143	-	-	-	-	(143)	(143)
Community service operations	79,368	119,484	-	-	-	40,116	40,116
	<u>643,426</u>	<u>457,125</u>	<u>232,744</u>	<u>-</u>	<u>-</u>	<u>46,443</u>	<u>46,443</u>
Total business type activities	<u>657,661</u>	<u>457,125</u>	<u>232,744</u>	<u>-</u>	<u>-</u>	<u>32,208</u>	<u>32,208</u>
Total	\$ <u>13,448,180</u>	<u>1,784,576</u>	<u>1,410,146</u>	<u>14,704</u>	<u>(10,270,962)</u>	<u>32,208</u>	<u>(10,238,754)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 4,056,911	-	4,056,911
Capital outlay					316,422	-	316,422
Income surtax					382,005	-	382,005
Statewide sales, services and use tax					891,869	-	891,869
Unrestricted state grants					5,322,518	-	5,322,518
Unrestricted investment earnings					70,886	6,045	76,931
Other					70,397	2,638	73,035
Total general revenues					<u>11,111,008</u>	<u>8,683</u>	<u>11,119,691</u>
Change in net position					840,046	40,891	880,937
Net position beginning of year					8,517,132	315,270	8,832,402
Net position end of year					<u>\$ 9,357,178</u>	<u>356,161</u>	<u>9,713,339</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, 2014

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,398,080	1,717,382	571,807	3,687,269
Receivables:				
Property tax:				
Delinquent	38,702	3,408	3,379	45,489
Succeeding year	3,774,672	335,727	400,000	4,510,399
Income surtax	255,041	-	-	255,041
Accounts	7,629	-	-	7,629
Due from other funds	28,458	-	-	28,458
Due from other governments	439,286	360,429	-	799,715
<b>TOTAL ASSETS</b>	<b>\$ 5,941,868</b>	<b>2,416,946</b>	<b>975,186</b>	<b>9,334,000</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	-	100	100
Accounts payable	402,369	5,783	8,141	416,293
Salaries and benefits payable	830,193	-	-	830,193
Advances from grantors	4,504	-	-	4,504
Total liabilities	1,237,066	5,783	8,241	1,251,090
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	3,774,672	335,727	400,000	4,510,399
Income surtax	255,041	-	-	255,041
Total deferred inflows of resources	4,029,713	335,727	400,000	4,765,440
Fund balances:				
Restricted for:				
Categorical funding	190,454	-	-	190,454
Debt service	-	-	93,278	93,278
Management levy purposes	-	-	336,759	336,759
Student activities	-	-	141,792	141,792
School infrastructure	-	1,438,945	-	1,438,945
Physical plant and equipment	-	636,491	-	636,491
Unassigned:				
General	484,635	-	-	484,635
Student activities	-	-	(4,884)	(4,884)
Total fund balances	675,089	2,075,436	566,945	3,317,470
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,941,868</b>	<b>2,416,946</b>	<b>975,186</b>	<b>9,334,000</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,317,470
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,451,547
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(650)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		255,041
Long-term liabilities, including bonds payable, termination benefits 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>(1,666,230)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>9,357,178</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,100,227	316,422	331,267	4,747,916
Tuition	936,638	-	-	936,638
Other	188,292	56,286	350,236	594,814
Intermediate sources	260	-	-	260
State sources	6,073,946	891,869	-	6,965,815
Federal sources	377,700	-	-	377,700
Total revenues	<u>11,677,063</u>	<u>1,264,577</u>	<u>681,503</u>	<u>13,623,143</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,419,816	-	154,014	4,573,830
Special	1,994,076	-	-	1,994,076
Other	1,189,328	-	327,836	1,517,164
	<u>7,603,220</u>	<u>-</u>	<u>481,850</u>	<u>8,085,070</u>
Support services:				
Student	412,487	-	-	412,487
Instructional staff	556,139	-	-	556,139
Administration	1,099,128	-	-	1,099,128
Operation and maintenance of plant	932,707	-	107,072	1,039,779
Transportation	470,587	135,068	-	605,655
	<u>3,471,048</u>	<u>135,068</u>	<u>107,072</u>	<u>3,713,188</u>
Capital outlay	-	144,107	-	144,107
Long-term debt:				
Principal	-	-	670,000	670,000
Interest and fiscal charges	-	-	12,343	12,343
	<u>-</u>	<u>-</u>	<u>682,343</u>	<u>682,343</u>
Other expenditures:				
AEA flowthrough	415,155	-	-	415,155
Total expenditures	<u>11,489,423</u>	<u>279,175</u>	<u>1,271,265</u>	<u>13,039,863</u>
Excess(Deficiency) of revenues over(under)expenditures	187,640	985,402	(589,762)	583,280
Other financing sources(uses):				
Transfer in	-	-	682,343	682,343
Transfer out	-	(682,343)	-	(682,343)
Sale of equipment	1,847	-	-	1,847
Total other financing sources(uses)	<u>1,847</u>	<u>(682,343)</u>	<u>682,343</u>	<u>1,847</u>
Change in fund balances	189,487	303,059	92,581	585,127
Fund balances beginning of year	485,602	1,772,377	474,364	2,732,343
Fund balances end of year	<u>\$ 675,089</u>	<u>2,075,436</u>	<u>566,945</u>	<u>3,317,470</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22)	\$	585,127
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*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures, depreciation expense and loss on asset disposal in the current year are as follows:

Capital expenditures	\$ 298,983	
Depreciation expense	(356,674)	
Loss on asset disposal	<u>(357,673)</u>	(415,364)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		670,000
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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.		2,438
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Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.		7,422
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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 funds, as follows:		
Compensated absences	(802)	
Termination benefits	52,040	
Other postemployment benefits	<u>(60,815)</u>	<u>(9,577)</u>

Change in net position of governmental activities(page 19)	\$	<u>840,046</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	School Nutrition	Daycare	Preschool	School Accounts	Total
<b>Assets</b>					
Cash and pooled investments	\$ 112,915	13,331	193,793	11,592	331,631
Accounts receivable	345	-	-	-	345
Due from other governments	14,974	-	-	-	14,974
Inventories	9,374	-	-	-	9,374
Capital assets, net of accumulated depreciation	50,993	-	9,148	-	60,141
<b>Total assets</b>	<b>\$ 188,601</b>	<b>13,331</b>	<b>202,941</b>	<b>11,592</b>	<b>416,465</b>
<b>Liabilities</b>					
Due to other funds	\$ 28,358	-	-	-	28,358
Accounts payable	1,354	16	-	-	1,370
Salaries and benefits payable	5,723	6,578	-	-	12,301
Unearned revenues	12,426	-	-	-	12,426
Net OPEB liability	5,849	-	-	-	5,849
<b>Total liabilities</b>	<b>53,710</b>	<b>6,594</b>	<b>-</b>	<b>-</b>	<b>60,304</b>
<b>Net Position</b>					
Net investment in capital assets	50,993	-	9,148	-	60,141
Unrestricted	83,898	6,737	193,793	11,592	296,020
<b>Total net position</b>	<b>\$ 134,891</b>	<b>6,737</b>	<b>202,941</b>	<b>11,592</b>	<b>356,161</b>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	School Nutrition	Daycare	Preschool	School Accounts	Total
Operating revenues:					
Local sources:					
Charges for service	\$ 308,667	75,171	44,313	-	428,151
Shared contracts	28,974	-	-	-	28,974
Miscellaneous	1,480	874	-	284	2,638
Total operating revenue	339,121	76,045	44,313	284	459,763
Operating expenses:					
Instruction:					
Other:					
Salaries	-	-	195	-	195
Benefits	-	-	32	-	32
Other	-	436	-	-	436
	-	436	227	-	663
Support services:					
Operation and maintenance of plant:					
Services	13,152	-	-	-	13,152
Transportation:					
Services	-	420	-	-	420
	13,152	420	-	-	13,572
Non-instructional programs:					
Food service operations:					
Salaries	212,619	-	-	-	212,619
Benefits	55,607	-	-	-	55,607
Services	1,571	-	-	-	1,571
Supplies	276,411	-	-	-	276,411
Depreciation	15,332	-	-	-	15,332
Other	125	-	-	-	125
	561,665	-	-	-	561,665
Other enterprise operations:					
Supplies	-	-	-	143	143
Community service operations:					
Salaries	-	47,059	-	-	47,059
Benefits	-	7,853	-	-	7,853
Services	-	5,408	-	-	5,408
Supplies	-	3,667	14,899	-	18,566
Depreciation	-	-	482	-	482
	-	63,987	15,381	-	79,368
Total operating expenses	574,817	64,843	15,608	143	655,411
Operating income(loss)	(235,696)	11,202	28,705	141	(195,648)
Non-operating revenues(expenses):					
State sources	4,553	-	-	-	4,553
Federal sources	228,191	-	-	-	228,191
Interest income	1,619	684	3,742	-	6,045
Loss on asset disposal	(2,250)	-	-	-	(2,250)
Total non-operating revenues(expenses)	232,113	684	3,742	-	236,539
Change in net position	(3,583)	11,886	32,447	141	40,891
Net position beginning of year	138,474	(5,149)	170,494	11,451	315,270
Net position end of year	\$ 134,891	6,737	202,941	11,592	356,161

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	School Nutrition	Daycare	Preschool	School Accounts	Total
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 311,769	-	-	-	311,769
Cash received from other fees	-	75,171	44,313	-	119,484
Cash received from miscellaneous	30,454	874	-	284	31,612
Cash payments to employees for services	(269,666)	(54,707)	(227)	-	(324,600)
Cash payments to suppliers for goods or services	(269,571)	(13,903)	(14,899)	(143)	(298,516)
Net cash provided by(used in) operating activities	(197,014)	7,435	29,187	141	(160,251)
Cash flows from non-capital financing activities:					
Borrowings from General Fund	28,358	-	-	-	28,358
State grants received	4,553	-	-	-	4,553
Federal grants received	189,014	-	-	-	189,014
Net cash provided by non-capital financing activities	221,925	-	-	-	221,925
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,500)	-	(9,630)	-	(11,130)
Cash flows from investing activities:					
Interest on investments	1,619	684	3,742	-	6,045
Net increase in cash and cash equivalents	25,030	8,119	23,299	141	56,589
Cash and cash equivalents beginning of year	87,885	5,212	170,494	11,451	275,042
Cash and cash equivalents end of year	\$ 112,915	13,331	193,793	11,592	331,631
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>					
Operating income(loss)	\$ (235,696)	11,202	28,705	141	(195,648)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	24,203	-	-	-	24,203
Depreciation	15,332	-	482	-	15,814
Increase in inventories	(3,113)	-	-	-	(3,113)
Decrease in accounts receivable	296	-	-	-	296
(Decrease) Increase in accounts payable	598	(3,972)	-	-	(3,374)
(Decrease) Increase in salaries and benefits payable	(2,687)	205	-	-	(2,482)
Increase in unearned revenue	2,806	-	-	-	2,806
Increase in other postemployment benefits	1,247	-	-	-	1,247
Net cash provided by(used in) operating activities	\$ (197,014)	7,435	29,187	141	(160,251)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2014, the District received \$24,203 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	Private Purpose Trust	Agency
	Scholarship Fund	
<b>Assets</b>		
Cash and pooled investments	\$ 16,934	11,166
<b>Liabilities</b>		
Due to other groups	-	11,166
<b>Net Position</b>		
Restricted for scholarships	\$ 16,934	-

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship Fund</u>
Additions:	
Local sources:	
Interest income	\$ 3,473
Contributions	4,000
Total additions	<u>7,473</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>8,442</u>
Change in net position	(969)
Net position beginning of year	<u>17,903</u>
Net position end of year	<u>\$ 16,934</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* 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 position* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Daycare Fund, Preschool Fund and School Accounts Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Daycare Fund is used to account for child care services. The Preschool Fund is used to account for the 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 position and changes in net position. 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 position 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.

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, Deferred Inflows of Resources 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives
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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position 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 Position 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, 2014. 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 Position.

Fund Balances - 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 the preceding classification.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2. Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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, 2014, 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. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 682,343</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 general obligation bond indebtedness.

**Note 4. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 28,358
General	Student Activity	100
Total		<u>\$ 28,458</u>

The School Nutrition Fund is repaying the General Fund as a reimbursement for salaries and benefits.

The Student Activity Fund is repaying the General Fund for fees paid from General Fund which should have been paid from the Student Activity Fund.

**Note 5. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,025,000	-	670,000	1,355,000	675,000
Termination benefits	52,040	-	52,040	-	-
Compensated absences	25,265	26,067	25,265	26,067	26,067
Net OPEB liability	224,348	60,815	-	285,163	-
Total	<u>\$ 2,326,653</u>	<u>86,882</u>	<u>747,305</u>	<u>1,666,230</u>	<u>701,067</u>
<b>Business type activities:</b>					
Net OPEB liability	\$ 4,602	1,247	-	5,849	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue March 14, 2013		
		Principal	Interest	Total
2015	0.50%	\$ 675,000	7,795	682,795
2016	0.60	680,000	4,420	684,420
Total		<u>\$ 1,355,000</u>	<u>12,215</u>	<u>1,367,215</u>

**Termination Benefits**

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 times 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. During the year ended June 30, 2014 the District paid \$52,040 in benefits.

**Note 6. Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 200,900	-	-	200,900
Construction in progress	131,463	9,962	141,425	-
Total assets not being depreciated	<u>332,363</u>	<u>9,962</u>	<u>141,425</u>	<u>200,900</u>
Capital assets being depreciated:				
Buildings	10,988,962	174,042	-	11,163,004
Land improvements	1,198,927	-	30,025	1,168,902
Machinery and equipment	2,820,121	256,404	1,144,251	1,932,274
Total capital assets being depreciated	<u>15,008,010</u>	<u>430,446</u>	<u>1,174,276</u>	<u>14,264,180</u>
Less accumulated depreciation for:				
Buildings	4,701,770	203,345	-	4,905,115
Land improvements	820,344	40,816	20,803	840,357
Machinery and equipment	1,951,348	112,513	795,800	1,268,061
Total accumulated depreciation	<u>7,473,462</u>	<u>356,674</u>	<u>816,603</u>	<u>7,013,533</u>
Total capital assets being depreciated, net	<u>7,534,548</u>	<u>73,772</u>	<u>357,673</u>	<u>7,250,647</u>
Governmental activities capital assets, net	<u>\$ 7,866,911</u>	<u>83,734</u>	<u>499,098</u>	<u>7,451,547</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 282,035	11,130	2,700	290,465
Less accumulated depreciation	214,960	15,814	450	230,324
Business type activities capital assets, net	<u>\$ 67,075</u>	<u>(4,684)</u>	<u>2,250</u>	<u>60,141</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 27,926
Special	4,703
Other	4,501
Support services:	
Student	2,813
Instructional staff	16,045
Administration	1,406
Operation and maintenance of plant	6,087
Transportation	49,032
	<u>112,513</u>
Unallocated depreciation	244,161
Total governmental activities depreciation expense	<u>\$ 356,674</u>
Business type activities:	
Food service operations	\$ 15,332
Community service operations	482
Total business type activities depreciation expense	<u>\$ 15,814</u>

**Note 7. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$595,585, \$564,085 and \$516,249, respectively, equal to the required contributions for each year.

**Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription benefits for employees, retirees and their spouses. There are 111 active and 13 retired members in the plan. Retired 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	96,378
Interest on net OPEB obligation		5,723
Adjustment to annual required contribution		(19,099)
Annual OPEB cost		<u>83,002</u>
Contributions made		<u>(20,940)</u>
Increase in net OPEB obligation		62,062
Net OPEB obligation beginning of year		228,950
Net OPEB obligation end of year	\$	<u><u>291,012</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, 2014.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 65,882	9.2%	\$ 166,682
2013	82,963	24.9%	228,950
2014	83,002	25.2%	291,012

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$609,480, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$609,480. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.270 million and the ratio of the UAAL to covered payroll was 11.6%.

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 for the Retiree Health Plan, 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, 2012 actuarial valuation date, the entry age 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.

#### **Note 9. 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, 2014 were \$1,112,218.

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.

**Note 10. 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 \$415,155 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Deficit Unassigned Fund Balance**

At June 30, 2014, the Special Revenue: Student Activity Fund had two accounts with a deficit unassigned fund balances totaling \$4,884.

**Note 12. Categorical Funding**

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 19,256
Gifted and Talented	3,086
Four-year-old Preschool State Aid	57,379
Teacher Salary Supplement	56,730
Professional Development	24,995
Successful progression for early readers	19,722
Teacher Leadership Grants	8,767
STEM Scale-Up Programs	519
Total	<u>\$ 190,454</u>

**Note 13. Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	93,278	484,635
Invested in capital assets, net of accumulated depreciation	7,451,547	-	-
General obligation bond capitalized indebtedness	(1,355,000)	-	-
Income Surtax	-	-	255,041
Unassigned student activity	-	-	(4,884)
Compensated absences	-	-	(26,067)
Accrued interest payable	-	(650)	-
Net OPEB liability	-	-	(285,163)
Net position (Exhibit A)	<u>\$ 6,096,547</u>	<u>92,628</u>	<u>423,562</u>

**Note 14. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**MONTICELLO COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,279,368	465,808	6,745,176	7,470,514	7,470,514	(725,338)
Intermediate sources	260	-	260	20,000	20,000	(19,740)
State sources	6,965,815	4,553	6,970,368	5,819,379	5,819,379	1,150,989
Federal sources	377,700	228,191	605,891	559,000	559,000	46,891
Total revenues	13,623,143	698,552	14,321,695	13,868,893	13,868,893	452,802
Expenditures/Expenses:						
Instruction	8,085,070	663	8,085,733	8,240,000	8,240,000	154,267
Support services	3,713,188	13,572	3,726,760	4,237,000	4,237,000	510,240
Non-instructional programs	-	643,426	643,426	875,000	875,000	231,574
Other expenditures	1,241,605	-	1,241,605	1,671,486	1,671,486	429,881
Total expenditures/expenses	13,039,863	657,661	13,697,524	15,023,486	15,023,486	1,325,962
Excess(Deficiency) of revenues over(under) expenditures/expenses	583,280	40,891	624,171	(1,154,593)	(1,154,593)	1,778,764
Other financing sources, net	1,847	-	1,847	-	-	1,847
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	585,127	40,891	626,018	(1,154,593)	(1,154,593)	1,780,611
Balances beginning of year	2,732,343	315,270	3,047,613	2,212,369	2,212,369	835,244
Balances end of year	\$ 3,317,470	356,161	3,673,631	1,057,776	1,057,776	2,615,855

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 528	528	0.0%	\$ 4,860	10.86%
2011	July 1, 2009	-	521	521	0.0%	4,541	11.47%
2012	July 1, 2009	-	493	493	0.0%	5,299	9.30%
2013	July 1, 2012	-	625	625	0.0%	5,159	12.11%
2014	July 1, 2012	-	609	609	0.0%	5,270	11.56%

See Note 8 in the accompanying Notes to the 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.

SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
<b>ASSETS</b>					
Cash and pooled investments	\$ 333,380	145,149	478,529	93,278	571,807
Receivables:					
Property tax:					
Delinquent	3,379	-	3,379	-	3,379
Succeeding year	400,000	-	400,000	-	400,000
<b>TOTAL ASSETS</b>	<b>\$ 736,759</b>	<b>145,149</b>	<b>881,908</b>	<b>93,278</b>	<b>975,186</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	100	100	-	100
Accounts payable	-	8,141	8,141	-	8,141
Total liabilities	-	8,241	8,241	-	8,241
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	400,000	-	400,000	-	400,000
Total deferred inflows of resources	400,000	-	400,000	-	400,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	93,278	93,278
Management levy purposes	336,759	-	336,759	-	336,759
Student activities	-	141,792	141,792	-	141,792
Unassigned	-	(4,884)	(4,884)	-	(4,884)
Total fund balances	336,759	136,908	473,667	93,278	566,945
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 736,759</b>	<b>145,149</b>	<b>881,908</b>	<b>93,278</b>	<b>975,186</b>

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, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 331,267	-	331,267	-	331,267
Other	12,048	335,025	347,073	3,163	350,236
Total revenues	343,315	335,025	678,340	3,163	681,503
Expenditures:					
Current:					
Instruction:					
Regular	154,014	-	154,014	-	154,014
Other	-	327,836	327,836	-	327,836
Support services:					
Operation and maintenance of plant	107,072	-	107,072	-	107,072
Long-term debt:					
Principal	-	-	-	670,000	670,000
Interest and fiscal charges	-	-	-	12,343	12,343
Total expenditures	261,086	327,836	588,922	682,343	1,271,265
Excess(Deficiency) of revenues over(under) expenditures	82,229	7,189	89,418	(679,180)	(589,762)
Other financing sources:					
Transfer in	-	-	-	682,343	682,343
Change in fund balances	82,229	7,189	89,418	3,163	92,581
Fund balances beginning of year	254,530	129,719	384,249	90,115	474,364
Fund balances end of year	\$ 336,759	136,908	473,667	93,278	566,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,078,516	638,866	1,717,382
Receivables:			
Property tax:			
Delinquent	-	3,408	3,408
Succeeding year	-	335,727	335,727
Due from other governments	360,429	-	360,429
<b>TOTAL ASSETS</b>	<b>\$ 1,438,945</b>	<b>978,001</b>	<b>2,416,946</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	5,783	5,783
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	-	335,727	335,727
Fund balances:			
Restricted for:			
School infrastructure	1,438,945	-	1,438,945
Physical plant and equipment	-	636,491	636,491
Total fund balances	1,438,945	636,491	2,075,436
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,438,945</b>	<b>978,001</b>	<b>2,416,946</b>

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	316,422	316,422
Other	29,205	27,081	56,286
State sources	891,869	-	891,869
Total revenues	<u>921,074</u>	<u>343,503</u>	<u>1,264,577</u>
Expenditures:			
Current:			
Support services:			
Transportation	-	135,068	135,068
Capital outlay	-	144,107	144,107
Total expenditures	<u>-</u>	<u>279,175</u>	<u>279,175</u>
Excess of revenues over expenditures	921,074	64,328	985,402
Other financing uses:			
Operating transfers out	<u>(682,343)</u>	-	<u>(682,343)</u>
Change in fund balances	238,731	64,328	303,059
Fund balances beginning of year	<u>1,200,214</u>	<u>572,163</u>	<u>1,772,377</u>
Fund balances end of year	<u>\$ 1,438,945</u>	<u>636,491</u>	<u>2,075,436</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech and drama	\$ 19,307	11,388	9,667	21,028
Vocal	10,415	3,560	2,590	11,385
HS musical	8,363	244	55	8,552
Instrumental	2,426	4,535	5,105	1,856
Cross country	-	5,453	5,429	24
Boys basketball-HS	1,362	7,982	9,002	342
Football-HS	1,516	38,816	37,791	2,541
Baseball-HS	1,710	9,693	9,270	2,133
Boys track	-	5,881	5,881	-
Soccer	-	4,278	4,278	-
Boys golf-HS	423	1,490	1,456	457
Wrestling-HS	3,480	12,468	12,858	3,090
Girls basketball-HS	384	9,475	9,199	660
Volleyball-HS	1,214	8,690	6,787	3,117
Softball-HS	5,860	15,802	18,230	3,432
Girls track-HS	3,268	2,749	3,204	2,813
Girls golf-HS	95	867	865	97
General athletics	1,848	54,055	56,069	(166)
Student council-HS	2,963	1,932	1,697	3,198
Interest	842	-	842	-
Student organization	28,545	25,854	30,921	23,478
Yearbook-HS	(5,962)	1,244	-	(4,718)
Montisports.org	41	-	-	41
6th grade	2,045	1,367	710	2,702
7th grade	3,777	12,215	9,286	6,706
8th grade	2,307	6,081	6,468	1,920
Freshman	2,907	50	-	2,957
Sophomore	2,298	39	-	2,337
Junior	1,383	1,450	1,313	1,520
Senior	8,747	108	2,457	6,398
FFA	10,314	51,216	49,927	11,603
BPA	2,587	8,343	6,314	4,616
Coffee club	1,278	498	407	1,369
International club	484	9	-	493
Cheerleader	1,885	13,361	10,740	4,506
Dance team	1,607	4,221	5,550	278
Middle school concession	-	9,611	3,468	6,143
Total	<u>\$ 129,719</u>	<u>335,025</u>	<u>327,836</u>	<u>136,908</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,259	500	3,526	9,649	16,934
<b>Liabilities</b>					
	-	-	-	-	-
<b>Net Position</b>					
Restricted for scholarships	\$ 3,259	500	3,526	9,649	16,934

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				Total
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	
Additions:					
Local sources:					
Interest income	\$ 132	-	-	3,341	3,473
Contributions	1,000	500	2,500	-	4,000
Total additions	1,132	500	2,500	3,341	7,473
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	2,000	500	500	5,442	8,442
Change in net position	(868)	-	2,000	(2,101)	(969)
Net position beginning of year	4,127	500	1,526	11,750	17,903
Net position end of year	\$ 3,259	500	3,526	9,649	16,934

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 10,364	900	98	11,166
<b>Liabilities</b>				
Due to other groups	\$ 10,364	900	98	11,166

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**MONTICELLO COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,747,916	5,071,327	4,692,137	4,232,526	4,002,767	3,929,412	3,826,081	4,174,905	4,310,031	4,372,964
Tuition	936,638	862,701	854,711	759,880	755,670	659,293	526,242	481,671	586,557	448,168
Other	594,814	647,222	654,154	788,697	520,340	622,440	603,091	821,359	653,247	515,437
Intermediate sources	260	19,090	7,600	2,000	14,234	11,500	8,486	5,000	-	9,564
State sources	6,965,815	5,629,091	5,619,566	5,008,569	4,367,090	5,032,559	4,863,323	4,492,351	4,257,420	3,916,593
Federal sources	377,700	396,411	523,183	588,444	812,137	399,212	296,740	265,660	384,005	258,632
<b>Total</b>	<b>\$ 13,623,143</b>	<b>12,625,842</b>	<b>12,351,351</b>	<b>11,380,116</b>	<b>10,472,238</b>	<b>10,654,416</b>	<b>10,123,963</b>	<b>10,240,946</b>	<b>10,191,260</b>	<b>9,521,358</b>
Expenditures:										
Instruction:										
Regular	\$ 4,573,830	4,298,976	4,352,894	4,113,048	3,873,850	3,672,094	3,582,227	3,217,177	3,209,124	2,928,810
Special	1,994,076	1,725,566	1,710,317	1,613,873	1,412,349	1,490,630	1,262,905	1,176,672	1,204,034	1,090,021
Other	1,517,164	1,423,783	1,420,507	1,394,734	1,198,088	1,127,497	1,127,887	1,172,626	895,569	888,058
Support services:										
Student	412,487	499,787	510,134	560,368	527,586	454,886	390,509	361,174	309,830	322,402
Instructional	556,139	498,552	586,231	734,412	527,643	498,005	311,762	174,757	332,202	240,294
Administration	1,099,128	1,112,573	1,053,951	935,772	924,900	927,515	826,027	942,843	754,436	797,328
Operation and maintenance of plant	1,039,779	882,032	863,339	855,532	814,809	798,079	778,701	741,601	830,135	777,994
Transportation	605,655	561,552	547,196	578,752	504,206	577,643	447,587	460,909	425,707	488,085
Non-instructional programs:										
Community service operations	-	-	-	610	-	364	648	-	-	-
Capital outlay	144,107	201,484	133,248	221,992	106,831	208,877	172,991	71,302	228,514	405,016
Long-term debt:										
Principal	670,000	2,620,000	600,000	580,000	565,000	545,000	530,000	465,000	499,470	410,000
Interest and fiscal charges	12,343	97,347	120,198	140,157	157,303	177,242	192,823	496,835	449,128	345,874
Other expenditures:										
AEA flow-through	415,155	388,386	381,001	405,016	402,724	367,852	348,272	325,674	303,507	294,542
<b>Total</b>	<b>\$ 13,039,863</b>	<b>14,310,038</b>	<b>12,279,016</b>	<b>12,134,266</b>	<b>11,015,289</b>	<b>10,845,684</b>	<b>9,972,339</b>	<b>9,606,570</b>	<b>9,441,656</b>	<b>8,988,424</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster:			
School Breakfast Program	10.553	FY14	\$ 24,636
National School Lunch Program	10.555	FY14	203,555 *
			<u>228,191</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY1071-GC	15,260
Title I Grants to Local Educational Agencies	84.010	FY14	119,240
Title I - Schools in Need of Assistance (SINA)	84.010	FY14	13,204
			<u>147,704</u>
Title I Program for Neglected and Delinquent Children	84.013	FY14	26,489
Improving Teacher Quality State Grants	84.367	FY14	34,698
Grants for State Assessments and Related Activities	84.369	FY14	5,879
Area Education Agency:			
Special Education - Grants to States	84.027	FY14	50,691
Career and Technical Education - Basic Grants to States	84.048	FY14	15,490
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
Medical Assistance Program (Medicaid Admin or Time Study)	93.778	FY11	383
Total			<u>\$ 509,525</u>

\* - Includes \$24,203 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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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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**

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Monticello Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monticello Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Monticello Community School District's internal control.

Our consideration of internal control 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be a material weaknesses and significant deficiencies.

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 misstatement 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 item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 and II-C-14 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Monticello Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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**

Monticello Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Monticello Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 11, 2015  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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**Independent Auditor's Report on Compliance for Each  
Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**To the Board of Education of Monticello Community School District:**

**Report on Compliance for Each Major Federal Program**

We have audited Monticello Community School District compliance 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, 2014. Monticello Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Monticello Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Monticello Community School District's compliance with those requirements.

**Opinion on Each Major Federal Program**

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 to each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

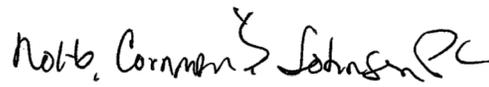
The management of Monticello Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Monticello Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in 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-14 to be a material weakness.

Monticello Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2015  
Newton, Iowa

MONTICELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - CFDA Number 84.010 - Title I Schools in Need of Assistance
- (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.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 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. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - handling inventory and recording inventory records.
- 4) Long-term debt - maintaining debt records and control of cash, reconciliations and approval.
- 5) Receipts - journalizing, posting and reconciling.

- 6) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 7) Wire transfers - processing and approving.
- 8) Payroll - approval of and recording employees added or deleted from the payroll system, entering contracts into the system and verifying accuracy, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) Journal entries - approval and posting.

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 and implement when possible.

Conclusion - Response accepted.

II-B-14 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified staff coaches.

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.

II-C-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the we noted instances of purchase orders that were completed after the product had been ordered.

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

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

Response - The District will implement procedures for the purchase order system.

Conclusion - Response accepted.

**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: 2014**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.010: Title I Grants to Local Educational Agencies**  
**CFDA Number 84.010: Title I Schools in Need of Assistance**  
**Federal Award Year: 2014**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - handling inventory and recording inventory records.
- 4) Long-term debt - maintaining debt records and control of cash, reconciliations and approval.
- 5) Receipts - journalizing, posting and reconciling.
- 6) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 7) Wire transfers - processing and approving.
- 8) Payroll - approval of and recording employees added or deleted from the payroll system, entering contracts into the system and verifying accuracy, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) Journal entries - approval and posting.

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 - The District will investigate available alternatives and implement when possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted.

IV-B-14 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity and School Nutrition Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District will contact the Booster Club to see if they could provide these items for our coaching staff.

Conclusion - Response accepted.

IV-C-14 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-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Daniel Sauser, Teacher Father-in-law owns Welter Storage	Supplies	\$2,670
Diane Deppe-Haag, Teaching Associate Spouse manages Spahn & Rose Lumber	Supplies	\$25,919
Casey Reyner, Associate Father owns Darrell's Restaurant	Services	\$3,749
Callie Kromminga-Smith, Teacher Mother owns Brier Rose Father owns Kromminga Motors	Supplies Services	\$659 \$3,196
Steve Holmes, Coach Father owns Holmes Transmission	Services	\$1,233
Pat Kelly, Food Service Director Spouse owns Kelly's Country Oven	Food	\$434
Jennifer Lambert, Teacher Spouse owns Lambert's Carpet	Supplies/Services	\$8,949
Bud Johnson, Board Member Owns Mintex Citrus	Supplies	\$21,723

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's employees do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with Bud Johnson does appear to represent a conflict of interest. Chapter 279.7A of the Code of Iowa states in part that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500.

Recommendation - The District should contact legal counsel in regard to related party transactions with the board member.

Response - The District will consult with legal counsel regarding this transaction with the board member.

Conclusion - Response accepted.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was understated by 2.50 for the fall of 2013.

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

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

Conclusion - Response accepted.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,200,214
Revenues/transfers in:		
Sales tax revenues	\$ 891,869	
Other local revenues	<u>29,205</u>	<u>921,074</u>
		2,121,288
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		<u>682,343</u>
Ending balance		<u>\$ 1,438,945</u>

For the year ended June 30, 2014, 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>\$ 2.11323</u>	<u>\$ 682,343</u>

IV-N-14 Financial Condition - We noted during our audit that the Special Revenue, Student Activity Fund had two negative accounts totaling \$4,884 at June 30, 2014.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Response - The District will continue to monitor these accounts and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.

IV-O-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

**Questionable Revenues and Expenses:** We noted Scholastic book fair revenues and expenditures in the activity fund. The revenues and expenditures related to the book fair appear to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation - Scholastic book fair revenues and expenditures are instructional in nature. Revenues and expenditures for instructional supplies are more appropriately handled in the General Fund. In the future, the District should record these revenues and expenses in the General Fund.

Response - The District will record Scholastic book fair revenues and expenses in the General Fund.

Conclusion - Response accepted.

IV-P-14 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - The District will research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Conclusion - Response accepted.