

MONTICELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Monticello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Chris Brokaw	President	2015
Angie Beitz	Vice President	2017
Bud Johnson	Board Member	2017
Peg Mere	Board Member	2017
Kevin Gray	Board Member	2015
School Officials		
Chris Anderson	Superintendent	2015
Judy Hayen	District Secretary	2015
Karla Hogan	Business Manager/Board Treasurer (Resigned August 2014)	2015
Marcy Gillmore	Business Manager/Board Treasurer (Appointed October 2014)	2015
Gruhn Law Firm	Attorney	2015
Lynch Dallas, P.C.	Attorney	2015

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Monticello Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 44 through 49 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, 2014 (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 3, 2016 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 per formed 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 3, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monticello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,678,910 in fiscal year 2014 to \$11,874,089 in fiscal year 2015 and General Fund expenditures decreased from \$11,489,423 in fiscal year 2014 to \$11,246,819 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$675,089 at June 30, 2014 to \$1,302,359 at June 30, 2015, a 92.92% increase from the prior year.
- The General Fund increase in revenues was mainly due to an increase in state and federal revenues received during the year. The decrease in expenditures was due to a decrease in instructional expenditures incurred as compared to the previous 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 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, the District's proportionate share of the net pension liability and related contributions, 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.

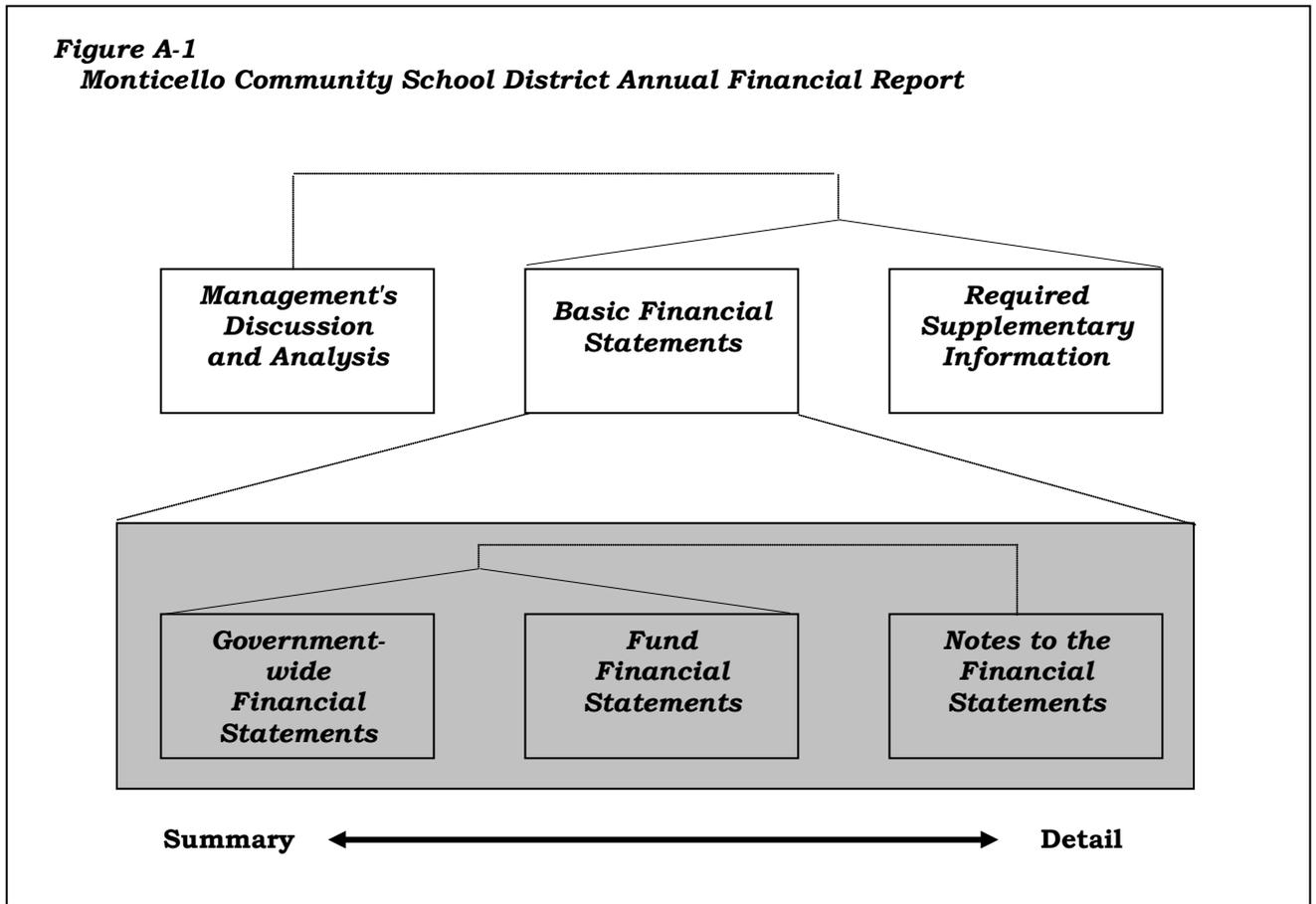


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service, panther academy, preschool and resale activity	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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, panther academy, preschool and resale programs are 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 Panther Academy Fund, the Activity Resale 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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2014 (Not Restated)		June 30, 2014 (Not Restated)		June 30, 2014 (Not Restated)	June 30, 2014-15	
Current and other assets	\$ 10,878,397	9,333,900	338,624	327,966	11,217,021	9,661,866	16.10%
Capital assets	7,371,831	7,451,547	59,040	60,141	7,430,871	7,511,688	-1.08%
Total assets	18,250,228	16,785,447	397,664	388,107	18,647,892	17,173,554	8.58%
Deferred outflows of resources	802,027	-	31,601	-	833,628	-	100.00%
Long-term liabilities	5,000,923	1,666,230	162,187	5,849	5,163,110	1,672,079	208.78%
Other liabilities	1,162,432	1,251,640	32,086	26,097	1,194,518	1,277,737	-6.51%
Total liabilities	6,163,355	2,917,870	194,273	31,946	6,357,628	2,949,816	115.53%
Deferred inflows of resources	6,208,364	4,510,399	60,194	-	6,268,558	4,510,399	38.98%
Net position:							
Net investment in capital assets	6,691,831	6,096,547	59,040	60,141	6,750,871	6,156,688	9.65%
Restricted	3,494,401	2,837,069	-	-	3,494,401	2,837,069	23.17%
Unrestricted	(3,505,696)	423,562	115,758	296,020	(3,389,938)	719,582	-571.10%
Total net position	\$ 6,680,536	9,357,178	174,798	356,161	6,855,334	9,713,339	-29.42%

The District's combined net position decreased by \$2,858,005 or 29.42%, from 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 \$657,332, or 23.17% from the prior year. The increase in restricted net position was mainly due to the increase in ending fund balances of the Management Levy and Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 \$4,109,520, or 571.10%, from the prior year. The decrease in unrestricted net position was a primarily a result of the District’s net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,906,204 and \$194,862, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,353,815	1,327,451	435,224	457,125	1,789,039	1,784,576	0.25%
Operating grants, contributions and restricted interest	1,142,274	1,177,402	239,413	232,744	1,381,687	1,410,146	-2.02%
Capital grants, contributions and restricted interest	-	14,704	-	-	-	14,704	-100.00%
General revenues:							
Property tax	4,558,620	4,373,333	-	-	4,558,620	4,373,333	4.24%
Income surtax	403,208	382,005	-	-	403,208	382,005	5.55%
Statewide sales, services and use tax	961,918	891,869	-	-	961,918	891,869	7.85%
Unrestricted state grants	5,547,136	5,322,518	-	-	5,547,136	5,322,518	4.22%
Unrestricted investment earnings	92,595	70,886	6,768	6,045	99,363	76,931	29.16%
Other	150,307	70,397	6,990	2,638	157,297	73,035	115.37%
Total revenues	14,209,873	13,630,565	688,395	698,552	14,898,268	14,329,117	3.97%
Program expenses:							
Instructional	7,722,818	8,125,788	192	663	7,723,010	8,126,451	-4.96%
Support services	3,561,943	3,995,510	10,467	13,572	3,572,410	4,009,082	-10.89%
Non-instructional programs	-	-	664,237	643,426	664,237	643,426	3.23%
Other expenses	695,550	669,221	-	-	695,550	669,221	3.93%
Total expenses	11,980,311	12,790,519	674,896	657,661	12,655,207	13,448,180	-5.90%
Change in net position	2,229,562	840,046	13,499	40,891	2,243,061	880,937	154.62%
Net position beginning of year, as restated	4,450,974	8,517,132	161,299	315,270	4,612,273	8,832,402	-47.78%
Net position end of year	\$ 6,680,536	9,357,178	174,798	356,161	6,855,334	9,713,339	-29.42%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 80.72% of the revenue from governmental activities while charges for service and sales and operating grants, contributions and restricted interest accounted for 98.00% of the revenue from business type activities.

The District's total revenues were approximately \$14.90 million, of which approximately \$14.21 million was for governmental activities and approximately \$0.69 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.97% increase in revenues and a 5.90% decrease in expenses. The primary reason for the increase in revenues was an increase in property tax and unrestricted state grant revenues received when compared to the prior year, and the decrease in expenses was primarily due to a decrease in support services expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$14,209,873 and expenses were \$11,980,311 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 7,722,818	8,125,788	-4.96%	5,807,316	5,546,974	4.69%
Support services	3,561,943	3,995,510	-10.85%	3,417,107	3,510,353	-2.66%
Other expenses	695,550	669,221	3.93%	259,799	341,230	-23.86%
Totals	\$ 11,980,311	12,790,519	-6.33%	9,484,222	9,398,557	0.91%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,353,815.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$1,142,274.
- The net cost of governmental activities was financed with \$4,558,620 in property tax, \$403,208 in income surtax, \$961,918 in statewide sales, services and use tax, \$5,547,136 in unrestricted state grants, \$92,595 in interest income and \$150,307 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015 were \$688,395 and expenses were \$674,896. The District's business type activities include the School Nutrition Fund, the Panther Academy Fund, the Preschool Fund and Resale Activity Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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 \$4,648,794, above last year's ending combined fund balances of \$3,317,470. This increase in combined fund balances primarily due to an increase in ending fund balance of the General and Capital Projects Funds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The increase in revenues can be attributed to an increase in state and federal revenues received in the current year. The decrease in expenditures can be attributable to the decrease in expenditures in the support services functional area. The District's total revenues outpaced total expenditures ensuring the increase in ending fund balance. The fund balance of the General Fund increased from \$675,089 at June 30, 2014 to \$1,302,359 at June 30, 2015.
- The Capital Projects Fund balance increased from \$2,075,436 at June 30, 2014 to \$2,525,459 at June 30, 2015. The increase in fund balance was due in part to an increase in statewide sales, services and use tax revenue and insurance proceeds received over the previous year. Expenditures also increased but not enough to offset the increase in revenues.

Proprietary Funds Highlights

The School Nutrition Fund net position decreased from a deficit restate net position of \$24,263 at July 1, 2014 to a deficit \$31,096 at June 30, 2015, representing a decrease of 28.16%. The beginning net position was restated due to the implementation of GASB Statements No. 68 during the year.

The Daycare Fund net position increased from a deficit restated net position of \$28,971 at July 1, 2014 to a deficit \$25,860 at June 30, 2015, representing an increase of 10.74%. The beginning net position was restated due to the implementation of GASB Statements No. 68 during the year.

The Preschool Fund net position increased from \$202,941 at June 30, 2014 to \$220,292 at June 30, 2015, representing an increase of 8.55%.

The School Accounts Fund net position decreased from \$11,592 at June 30, 2014 to \$11,462 at June 30, 2015, representing a decrease of 1.12%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$156,682 more than budgeted revenues, a variance of 1.07%. 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, 2015, the District had invested \$7,430,871, 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 5 to the financial statements. Depreciation expense for the year was \$393,981.

The original cost of the District's capital assets was \$14,927,684. Governmental funds accounted for \$14,627,754 with the remainder of \$299,930 accounted for in the Proprietary Funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$724,354 at June 30, 2014 compared to \$844,568 at June 30, 2015. The primary reason for this increase in machinery and equipment was the purchase of two new school buses, a transit van, and two other vehicles during fiscal the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 200,900	200,900	-	-	200,900	200,900	0.00%
Buildings	6,097,674	6,257,889	-	-	6,097,674	6,257,889	-2.56%
Land improvements	287,729	328,545	-	-	287,729	328,545	-12.42%
Machinery and equipment	785,528	664,213	59,040	60,141	844,568	724,354	16.60%
Total	\$ 7,371,831	7,451,547	59,040	60,141	7,430,871	7,511,688	-1.08%

Long-Term Debt

At June 30, 2015, the District had \$5,163,110 in long-term debt outstanding. This represents an increase of 208.78% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had outstanding general obligation bonded indebtedness payable of \$680,000 at June 30, 2015.
- The District had termination benefits of \$55,259 due to District retirees at June 30, 2015 payable from the Management Levy Fund.
- The District had total outstanding compensated absences payable of \$28,166 at June 30, 2015. \$27,578 of this total is payable by the General Fund, while \$588 is payable by the Panther Academy, Enterprise Fund.
- The District had a total net pension liability of \$4,042,221 at June 30, 2015. Governmental activities accounted for \$3,887,807 of the total while business type activities accounted for the remaining \$154,414.
- The District had a total net OPEB liability of \$357,464 at June 30, 2015. Governmental activities accounted for \$350,279 of the total while business type activities accounted for the remaining \$7,185.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 680,000	1,355,000	-	-	680,000	1,355,000	-49.82%
Termination benefits	55,259	-	-	-	55,259	-	100.00%
Compensated absences	27,578	26,067	588	-	28,166	26,067	8.05%
Net pension liability	3,887,807	-	154,414	-	4,042,221	-	100.00%
Net OPEB liability	350,279	285,163	7,185	5,849	357,464	291,012	22.83%
Total	\$ 5,000,923	1,666,230	162,187	5,849	5,163,110	1,672,079	208.78%

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 is negatively impacting the District's spending authority and causing increased class size. Contractual increases and program changes cannot be made without thorough consideration of the unspent authorized budget.

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
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,168,106	311,329	5,479,435
Receivables:			
Property tax:			
Delinquent	48,906	-	48,906
Succeeding year	4,692,819	-	4,692,819
Income surtax	375,089	-	375,089
Accounts	73,732	3,365	77,097
Due from other governments	519,745	15,180	534,925
Inventories	-	8,750	8,750
Capital assets, net of accumulated depreciation	7,371,831	59,040	7,430,871
TOTAL ASSETS	18,250,228	397,664	18,647,892
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	802,027	31,601	833,628
LIABILITIES			
Accounts payable	278,967	1,261	280,228
Salaries and benefits payable	879,687	15,993	895,680
Accrued interest payable	737	-	737
Advances from grantors	3,041	-	3,041
Advances from student fees	-	1,530	1,530
Unearned revenue	-	13,302	13,302
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	680,000	-	680,000
Termination benefits	13,815	-	13,815
Compensated absences	27,578	588	28,166
Portion due after one year:			
Termination benefits	41,444	-	41,444
Net pension liability	3,887,807	154,414	4,042,221
Net OPEB liability	350,279	7,185	357,464
TOTAL LIABILITIES	6,163,355	194,273	6,357,628
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	4,692,819	-	4,692,819
Pension related deferred inflows	1,515,545	60,194	1,575,739
TOTAL DEFERRED INFLOWS OF RESOURCES	6,208,364	60,194	6,268,558
NET POSITION			
Net investment in capital assets	6,691,831	59,040	6,750,871
Restricted for:			
Categorical funding	201,806	-	201,806
Debt service	89,328	-	89,328
Management levy purposes	528,790	-	528,790
Student activities	149,018	-	149,018
School infrastructure	1,758,055	-	1,758,055
Physical plant and equipment	767,404	-	767,404
Unrestricted	(3,505,696)	115,758	(3,389,938)
TOTAL NET POSITION	\$ 6,680,536	174,798	6,855,334

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 4,260,760	542,195	167,302	(3,551,263)	-	(3,551,263)
Special	1,893,326	357,739	148,309	(1,387,278)	-	(1,387,278)
Other	1,568,732	412,194	287,763	(868,775)	-	(868,775)
	<u>7,722,818</u>	<u>1,312,128</u>	<u>603,374</u>	<u>(5,807,316)</u>	<u>-</u>	<u>(5,807,316)</u>
Support services:						
Student	429,399	-	69,316	(360,083)	-	(360,083)
Instructional	571,049	7,933	9,317	(553,799)	-	(553,799)
Administration	1,094,074	-	-	(1,094,074)	-	(1,094,074)
Operation and maintenance of plant	973,949	-	-	(973,949)	-	(973,949)
Transportation	493,472	33,754	24,516	(435,202)	-	(435,202)
	<u>3,561,943</u>	<u>41,687</u>	<u>103,149</u>	<u>(3,417,107)</u>	<u>-</u>	<u>(3,417,107)</u>
Long-term debt interest	9,382	-	-	(9,382)	-	(9,382)
Other expenditures:						
AEA flowthrough	435,751	-	435,751	-	-	-
Depreciation(unallocated)*	250,417	-	-	(250,417)	-	(250,417)
	<u>686,168</u>	<u>-</u>	<u>435,751</u>	<u>(250,417)</u>	<u>-</u>	<u>(250,417)</u>
Total governmental activities	<u>11,980,311</u>	<u>1,353,815</u>	<u>1,142,274</u>	<u>(9,484,222)</u>	<u>-</u>	<u>(9,484,222)</u>
Business type activities:						
Instruction:						
Other	192	-	-	-	(192)	(192)
Support services:						
Administration	1,819	-	-	-	(1,819)	(1,819)
Operation and maintenance of plant	7,796	-	-	-	(7,796)	(7,796)
Transportation	852	-	-	-	(852)	(852)
	<u>10,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,467)</u>	<u>(10,467)</u>
Non-instructional programs:						
Food service operations	578,921	335,807	239,413	-	(3,701)	(3,701)
Other enterprise operations	289	-	-	-	(289)	(289)
Community service operations	85,027	99,417	-	-	14,390	14,390
	<u>664,237</u>	<u>435,224</u>	<u>239,413</u>	<u>-</u>	<u>10,400</u>	<u>10,400</u>
Total business type activities	<u>674,896</u>	<u>435,224</u>	<u>239,413</u>	<u>-</u>	<u>(259)</u>	<u>(259)</u>
Total	<u>\$ 12,655,207</u>	<u>1,789,039</u>	<u>1,381,687</u>	<u>(9,484,222)</u>	<u>(259)</u>	<u>(9,484,481)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,213,906	-	4,213,906
Capital outlay				344,714	-	344,714
Income surtax				403,208	-	403,208
Statewide sales, services and use tax				961,918	-	961,918
Unrestricted state grants				5,547,136	-	5,547,136
Unrestricted investment earnings				92,595	6,768	99,363
Other				150,307	6,990	157,297
Total general revenues				<u>11,713,784</u>	<u>13,758</u>	<u>11,727,542</u>
Change in net position				2,229,562	13,499	2,243,061
Net position beginning of year, as restated				<u>4,450,974</u>	<u>161,299</u>	<u>4,612,273</u>
Net position end of year				<u>\$ 6,680,536</u>	<u>174,798</u>	<u>6,855,334</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, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,985,939	2,372,262	809,905	5,168,106
Receivables:				
Property tax:				
Delinquent	40,942	3,635	4,329	48,906
Succeeding year	4,066,206	351,612	275,001	4,692,819
Income surtax	375,089	-	-	375,089
Accounts	59,112	-	14,620	73,732
Due from other governments	369,623	150,122	-	519,745
TOTAL ASSETS	\$ 6,896,911	2,877,631	1,103,855	10,878,397
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 270,529	560	7,878	278,967
Salaries and benefits payable	879,687	-	-	879,687
Advances from grantors	3,041	-	-	3,041
Total liabilities	1,153,257	560	7,878	1,161,695
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	4,066,206	351,612	275,001	4,692,819
Income surtax	375,089	-	-	375,089
Total deferred inflows of resources	4,441,295	351,612	275,001	5,067,908
Fund balances:				
Restricted for:				
Categorical funding	201,806	-	-	201,806
Debt service	-	-	90,065	90,065
Management levy purposes	-	-	584,049	584,049
Student activities	-	-	149,018	149,018
School infrastructure	-	1,758,055	-	1,758,055
Physical plant and equipment	-	767,404	-	767,404
Unassigned:				
General	1,100,553	-	-	1,100,553
Student activities	-	-	(2,156)	(2,156)
Total fund balances	1,302,359	2,525,459	820,976	4,648,794
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,896,911	2,877,631	1,103,855	10,878,397

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$	4,648,794
 <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.		7,371,831
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.		(737)
Income surtax receivable are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		375,089
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	\$ 802,027	
Deferred inflows of resources	<u>(1,515,545)</u>	(713,518)
Long-term liabilities, including bonds payable, termination benefits payable, compensated absence payable, other postemployment benefits payable and the net pension liability are not due and payable the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(5,000,923)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,680,536</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,100,239	344,714	396,827	4,841,780
Tuition	840,959	-	-	840,959
Other	282,904	52,459	462,981	798,344
Intermediate sources	10,556	-	-	10,556
State sources	6,201,326	962,119	239	7,163,684
Federal sources	434,502	-	-	434,502
Total revenues	<u>11,870,486</u>	<u>1,359,292</u>	<u>860,047</u>	<u>14,089,825</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,263,879	-	96,822	4,360,701
Special	1,893,626	-	-	1,893,626
Other	1,178,340	-	430,930	1,609,270
	<u>7,335,845</u>	<u>-</u>	<u>527,752</u>	<u>7,863,597</u>
Support services:				
Student	426,833	-	-	426,833
Instructional staff	564,683	-	-	564,683
Administration	1,112,545	-	146	1,112,691
Operation and maintenance of plant	919,178	15	72,970	992,163
Transportation	451,984	174,000	-	625,984
	<u>3,475,223</u>	<u>174,015</u>	<u>73,116</u>	<u>3,722,354</u>
Capital outlay	-	280,192	-	280,192
Long-term debt:				
Principal	-	-	675,000	675,000
Interest and fiscal charges	-	-	9,295	9,295
	<u>-</u>	<u>-</u>	<u>684,295</u>	<u>684,295</u>
Other expenditures:				
AEA flowthrough	435,751	-	-	435,751
Total expenditures	<u>11,246,819</u>	<u>454,207</u>	<u>1,285,163</u>	<u>12,986,189</u>
Excess(Deficiency) of revenues over(under)expenditures	623,667	905,085	(425,116)	1,103,636
Other financing sources(uses):				
Transfer in	-	-	679,147	679,147
Transfer out	-	(679,147)	-	(679,147)
Sale of equipment	3,603	-	-	3,603
Insurance proceeds	-	224,085	-	224,085
Total other financing sources(uses)	<u>3,603</u>	<u>(455,062)</u>	<u>679,147</u>	<u>227,688</u>
Change in fund balances	627,270	450,023	254,031	1,331,324
Fund balances beginning of year	<u>675,089</u>	<u>2,075,436</u>	<u>566,945</u>	<u>3,317,470</u>
Fund balances end of year	<u>\$ 1,302,359</u>	<u>2,525,459</u>	<u>820,976</u>	<u>4,648,794</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, 2015

Change in fund balances - total governmental funds(page 22) \$ 1,331,324

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 and depreciation expense in the current year are as follows:

Capital expenditures	\$ 303,700	
Depreciation expense	<u>(383,416)</u>	(79,716)

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. 675,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (87)

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. 120,048

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported a a deferred outflow of resources in the Statement of Net Position. 588,198

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	(1,511)	
Pension expense	(283,319)	
Termination benefits	(55,259)	
Other postemployment benefits	<u>(65,116)</u>	<u>(405,205)</u>

Change in net position of governmental activities(page 19) \$ 2,229,562

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	School Nutrition	Panther Academy	Preschool	Resale Activity	Total
ASSETS					
Current assets:					
Cash and pooled investments	\$ 69,082	18,035	212,750	11,462	311,329
Accounts receivable	2,960	-	405	-	3,365
Due from other governments	15,180	-	-	-	15,180
Inventories	8,750	-	-	-	8,750
Total current assets	<u>95,972</u>	<u>18,035</u>	<u>213,155</u>	<u>11,462</u>	<u>338,624</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	50,373	-	8,667	-	59,040
TOTAL ASSETS	<u>146,345</u>	<u>18,035</u>	<u>221,822</u>	<u>11,462</u>	<u>397,664</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	25,337	6,264	-	-	31,601
LIABILITIES					
Current liabilities:					
Accounts payable	1,094	167	-	-	1,261
Salaries and benefits payable	5,915	10,078	-	-	15,993
Advances from student fees	-	-	1,530	-	1,530
Unearned revenues	13,302	-	-	-	13,302
Total current liabilities	<u>20,311</u>	<u>10,245</u>	<u>1,530</u>	<u>-</u>	<u>32,086</u>
Noncurrent liabilities					
Compensated absences	-	588	-	-	588
Net pension liability	126,118	28,296	-	-	154,414
Net OPEB liability	7,185	-	-	-	7,185
Total noncurrent liabilities	<u>133,303</u>	<u>28,884</u>	<u>-</u>	<u>-</u>	<u>162,187</u>
TOTAL LIABILITIES	<u>153,614</u>	<u>39,129</u>	<u>1,530</u>	<u>-</u>	<u>194,273</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows	49,164	11,030	-	-	60,194
NET POSITION					
Net investment in capital assets	50,373	-	8,667	-	59,040
Unrestricted	(81,469)	(25,860)	211,625	11,462	115,758
TOTAL NET POSITION	<u>\$ (31,096)</u>	<u>(25,860)</u>	<u>220,292</u>	<u>11,462</u>	<u>174,798</u>

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, 2015

	School Nutrition	Panther Academy	Preschool	Resale Activity	Total
Operating revenues:					
Local sources:					
Charges for service	\$ 306,901	70,776	28,641	-	406,318
Shared contracts	28,906	-	-	-	28,906
Miscellaneous	4,464	2,367	-	159	6,990
Total operating revenue	<u>340,271</u>	<u>73,143</u>	<u>28,641</u>	<u>159</u>	<u>442,214</u>
Operating expenses:					
Instruction:					
Other:					
Benefits	-	-	27	-	27
Other	-	-	165	-	165
	<u>-</u>	<u>-</u>	<u>192</u>	<u>-</u>	<u>192</u>
Support services:					
Administration:					
Services	1,819	-	-	-	1,819
Operation and maintenance of plant:					
Services	7,796	-	-	-	7,796
Transportation:					
Services	-	852	-	-	852
Total support services	<u>9,615</u>	<u>852</u>	<u>-</u>	<u>-</u>	<u>10,467</u>
Non-instructional programs:					
Food service operations:					
Salaries	219,107	-	-	-	219,107
Benefits	46,939	-	-	-	46,939
Services	1,883	-	-	-	1,883
Supplies	300,782	-	-	-	300,782
Depreciation	10,085	-	-	-	10,085
Other	125	-	-	-	125
	<u>578,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,921</u>
Other enterprise operations:					
Supplies	-	-	-	289	289
Community service operations:					
Salaries	-	55,745	-	-	55,745
Benefits	-	6,599	-	-	6,599
Services	-	2,749	-	-	2,749
Supplies	-	4,473	14,980	-	19,453
Depreciation	-	-	481	-	481
	<u>-</u>	<u>69,566</u>	<u>15,461</u>	<u>-</u>	<u>85,027</u>
Total non-instructional programs	<u>578,921</u>	<u>69,566</u>	<u>15,461</u>	<u>289</u>	<u>664,237</u>
Total operating expenses	<u>588,536</u>	<u>70,418</u>	<u>15,653</u>	<u>289</u>	<u>674,896</u>
Operating income(loss)	(248,265)	2,725	12,988	(130)	(232,682)
Non-operating revenues:					
State sources	4,518	-	-	-	4,518
Federal sources	234,895	-	-	-	234,895
Interest income	2,019	386	4,363	-	6,768
Total non-operating revenues	<u>241,432</u>	<u>386</u>	<u>4,363</u>	<u>-</u>	<u>246,181</u>
Change in net position	(6,833)	3,111	17,351	(130)	13,499
Net position beginning of year, as restated	<u>(24,263)</u>	<u>(28,971)</u>	<u>202,941</u>	<u>11,592</u>	<u>161,299</u>
Net position end of year	<u>\$ (31,096)</u>	<u>(25,860)</u>	<u>220,292</u>	<u>11,462</u>	<u>174,798</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	School Nutrition	Panther Academy	Preschool	Resale Activity	Total
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 304,956	-	-	-	304,956
Cash received from other fees	-	70,776	29,766	-	100,542
Cash received from miscellaneous	33,370	2,367	-	159	35,896
Cash payments to employees for services	(273,727)	(60,902)	(27)	-	(334,656)
Cash payments to suppliers for goods or services	(282,473)	(7,923)	(15,145)	(289)	(305,830)
Net cash provided by(used in) operating activities	(217,874)	4,318	14,594	(130)	(199,092)
Cash flows from non-capital financing activities:					
Repayments to General Fund	(28,358)	-	-	-	(28,358)
State grants received	4,518	-	-	-	4,518
Federal grants received	205,327	-	-	-	205,327
Net cash provided by non-capital financing activities	181,487	-	-	-	181,487
Cash flows from capital and related financing activities:					
Purchase of capital assets	(9,465)	-	-	-	(9,465)
Cash flows from investing activities:					
Interest on investments	2,019	386	4,363	-	6,768
Net increase(decrease) in cash and pooled investments	(43,833)	4,704	18,957	(130)	(20,302)
Cash and pooled investments beginning of year	112,915	13,331	193,793	11,592	331,631
Cash and pooled investments end of year	\$ 69,082	18,035	212,750	11,462	311,329
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (248,265)	2,725	12,988	(130)	(232,682)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	29,568	-	-	-	29,568
Depreciation	10,085	-	481	-	10,566
Decrease in inventories	624	-	-	-	624
Increase in accounts receivable	(2,615)	-	(405)	-	(3,020)
Increase in due from other governments	(206)	-	-	-	(206)
(Decrease) Increase in accounts payable	(260)	151	-	-	(109)
Increase in salaries and benefits payable	192	3,500	-	-	3,692
Increase in advances from student fees	-	-	1,530	-	1,530
Increase in unearned revenue	876	-	-	-	876
Decrease in net pension liability	(51,618)	(11,581)	-	-	(63,199)
Increase in deferred outflows of resources	(6,755)	(2,095)	-	-	(8,850)
Increase in deferred inflows of resources	49,164	11,030	-	-	60,194
Increase in compensated absences	-	588	-	-	588
Increase in other postemployment benefits	1,336	-	-	-	1,336
Net cash provided by(used in) operating activities	\$ (217,874)	4,318	14,594	(130)	(199,092)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$29,568 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship Fund</u>	
ASSETS		
Cash and pooled investments	<u>\$ 15,925</u>	<u>11,943</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>11,943</u>
NET POSITION		
Held in trust for scholarships	<u>\$ 15,925</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
Additions:		
Local sources:		
Interest income	\$ 4,741	
Contributions		4,000
Total additions		<u>8,741</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		<u>9,750</u>
Change in net position		(1,009)
Net position beginning of year		<u>16,934</u>
Net position end of year	<u>\$</u>	<u>15,925</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 service.

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 is often subject to constraints imposed by management which 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, Panther Academy Fund, Preschool Fund and Resale Activity Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Panther Academy 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 Resale Activity 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 non-operating 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 non-operating 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

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.

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.

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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund the liability attributable to the business type activities will be paid by the Panther Academy Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

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, 2015 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, 2015, 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, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 679,147</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for general obligation bond debt relief.

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,355,000	-	675,000	680,000	680,000
Termination benefits	-	55,259	-	55,259	13,815
Compensated absences	26,067	27,578	26,067	27,578	27,578
Net pension liability	5,479,038	-	1,591,231	3,887,807	-
Net OPEB liability	285,163	65,116	-	350,279	-
Total	<u>\$ 7,145,268</u>	<u>147,953</u>	<u>2,292,298</u>	<u>5,000,923</u>	<u>721,393</u>
Business type activities:					
Compensated absences	\$ -	588	-	588	588
Net pension liability	217,613	-	63,199	154,414	-
Net OPEB liability	5,849	1,336	-	7,185	-
Total	<u>\$ 223,462</u>	<u>1,924</u>	<u>63,199</u>	<u>162,187</u>	<u>588</u>

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bond issue March 14, 2013		
		Principal	Interest	Total
2016	0.60%	<u>\$ 680,000</u>	<u>4,420</u>	<u>684,420</u>

Termination Benefits

During the year ended June 30, 2015, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of consecutive service to the Monticello Community School District and

must have reached the age of 55 on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equals 25% of the employees 2014-15 salary on the 2014-15 salary schedule, (excluding extra duty, extra-curricular, Phase II, and Phase III monies, Teacher compensation Funds, Teacher Quality Funds, Teacher Salary Supplement Funds or other payments not included in the salary) schedule not to exceed \$20,000. Each retiree shall also receive \$100 per day of unused sick leave up to a maximum of 20 unused days.

These benefits will be paid to a 403b account of the District's choosing on behalf of the employee or the incentives will be deposited into a health reimbursement account (HRA) of the District's choosing. Payments will be made in four equal annual installments beginning July 1, 2015 and ending July 1, 2018.

At June 30, 2015, the District has obligations to four participants with a total liability of \$55,259.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 200,900	-	-	200,900
Total assets not being depreciated	200,900	-	-	200,900
Capital assets being depreciated:				
Buildings	11,163,004	49,386	-	11,212,390
Land improvements	1,168,902	-	-	1,168,902
Machinery and equipment	1,932,274	254,314	141,026	2,045,562
Total capital assets being depreciated	14,264,180	303,700	141,026	14,426,854
Less accumulated depreciation for:				
Buildings	4,905,115	209,601	-	5,114,716
Land improvements	840,357	40,816	-	881,173
Machinery and equipment	1,268,061	132,999	141,026	1,260,034
Total accumulated depreciation	7,013,533	383,416	141,026	7,255,923
Total capital assets being depreciated, net	7,250,647	(79,716)	-	7,170,931
Governmental activities capital assets, net	\$ 7,451,547	(79,716)	-	7,371,831
Business type activities:				
Machinery and equipment	\$ 290,465	9,465	-	299,930
Less accumulated depreciation	230,324	10,566	-	240,890
Business type activities capital assets, net	\$ 60,141	(1,101)	-	59,040

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 33,010
Special	5,559
Other	5,320
Support services:	
Student	3,325
Instructional staff	18,966
Administration	1,662
Operation and maintenance of plant	7,195
Transportation	57,961
	132,998
Unallocated depreciation	250,417
Total governmental activities depreciation expense	\$ 383,415
Business type activities:	
Food service operations	\$ 10,085
Community service operations	481
Total business type activities depreciation expense	\$ 10,566

Note 6. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$611,305.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,042,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.099880 percent, which was a decrease of 0.000732 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$294,571. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,931	\$ -
Changes of assumptions	178,392	-
Net difference between projected and actual earnings on pension plan investments	-	1,541,587
Changes in proportion and differences between District contributions and proportionate share of contributions	-	34,152
District contributions subsequent to the measurement date	611,305	-
Total	<u>\$ 833,628</u>	<u>\$ 1,575,739</u>

\$611,305 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (341,432)
2017	(341,432)
2018	(341,432)
2019	(341,432)
2020	12,312
	<u>\$ (1,353,416)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 7,637,663	\$ 4,042,221	\$ 1,007,295

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$83,488 for legally required employer contributions and \$55,627 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. 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 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 97,982
Interest on net OPEB obligation	7,275
Adjustment to annual required contribution	<u>(19,735)</u>
Annual OPEB cost	85,522
Contributions made	<u>(19,070)</u>
Increase in net OPEB obligation	66,452
Net OPEB obligation beginning of year	291,012
Net OPEB obligation end of year	<u><u>\$ 357,464</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, 2015.

For the year ended June 30, 2015 the District contributed \$19,070 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 82,963	24.9%	\$ 228,950
2014	83,002	25.2%	291,012
2015	85,522	22.3%	357,464

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$583,672, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$583,672. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.277 million and the ratio of the UAAL to covered payroll was 11.07%.

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. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. 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 dental, vision and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$1,087,489.

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

The District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$435,751 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Balances

At June 30, 2015 the District had the following deficit balanced due to the implantation of GASB Statements No. 68 and No. 71 during the year: the District had deficit unrestricted net position of \$81,469 and deficit total net position of \$31,096 in the School Nutrition Fund. The District had deficit unrestricted and total net position of \$25,860 in the Panther Academy Day Care Fund. The District also had deficit unrestricted net position of \$3,505,696 in its governmental activities on its Statement of Net Position.

At June 30, 2015 the District had one account in the student activity fund with deficit unassigned fund balance of \$2,156.

Note 11. Categorical Funding

The District's ending balances for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 4,185
Four-year-old Preschool State Aid	84,049
Teacher Salary Supplement	56,619
Professional Development	28,298
Successful Progression for Early Readers	28,483
STEM Scale-Up Programs	172
Total	<u>\$ 201,806</u>

Note 12. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net Investment</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>in Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	584,049	90,065	1,100,553
Capital assets, net of accumulated depreciation	7,371,831	-	-	-
General obligation bond capitalized indebtedness	(680,000)	-	-	-
Income surtax	-	-	-	375,089
Unassigned student activity	-	-	-	(2,156)
Termination benefits	-	(55,259)	-	-
Accrued interest payable	-	-	(737)	-
Compensated absences	-	-	-	(27,578)
Pension related deferred outflows	-	-	-	802,027
Net pension liability	-	-	-	(3,887,807)
Pension related deferred inflows	-	-	-	(1,515,545)
Net OPEB liability	-	-	-	(350,279)
Net position (Exhibit A)	<u>\$ 6,691,831</u>	<u>528,790</u>	<u>89,328</u>	<u>(3,505,696)</u>

Note 13. Operating Leases

The District entered into in December 2014 with Xerox Corporation to lease copiers and printers at a rate of \$1,762 per month. District expenses on these leases totaled \$21,138 for the year ended June 30, 2015. This lease agreement runs through June 2018.

The District paid Maryville Family Partnership L.P. for \$750 per month in rent for use of facilities at the John McDonald Residential treatment facility for students in the District's special education program.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27, was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities				
		School Nutrition	Panther Academy	Preschool Program	Resale Activity	Total
Net position June 30, 2014, as previously reported	\$ 9,357,178	\$ 134,891	6,737	202,941	11,592	356,161
Net pension liability at June 30, 2014	(5,479,038)	(177,736)	(39,877)	-	-	(217,613)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	572,834	18,582	4,169	-	-	22,751
Net position July 1, 2014, as restated	\$ 4,450,974	\$ (24,263)	(28,971)	202,941	11,592	161,299

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, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,481,083	448,982	6,930,065	7,671,633	7,671,633	(741,568)
Intermediate sources	10,556	-	10,556	20,000	20,000	(9,444)
State sources	7,163,684	4,518	7,168,202	6,355,905	6,355,905	812,297
Federal sources	434,502	234,895	669,397	574,000	574,000	95,397
Total revenues	14,089,825	688,395	14,778,220	14,621,538	14,621,538	156,682
Expenditures/Expenses:						
Instruction	7,863,597	192	7,863,789	8,340,000	8,340,000	476,211
Support services	3,722,354	10,467	3,732,821	4,236,500	4,236,500	503,679
Non-instructional programs	-	664,237	664,237	875,000	875,000	210,763
Other expenditures	1,400,238	-	1,400,238	1,422,744	1,422,744	22,506
Total expenditures/expenses	12,986,189	674,896	13,661,085	14,874,244	14,874,244	1,213,159
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,103,636	13,499	1,117,135	(252,706)	(252,706)	1,369,841
Other financing sources, net	227,688	-	227,688	-	-	227,688
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,331,324	13,499	1,344,823	(252,706)	(252,706)	1,597,529
Balances beginning of year, as restated	3,317,470	161,299	3,478,769	1,812,623	1,812,623	1,666,146
Balances end of year	\$ 4,648,794	174,798	4,823,592	1,559,917	1,559,917	3,263,675

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR *
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.099880%
District's proportionate share of the net pension liability	\$ 4,042,221
District's covered-employee payroll	\$ 6,845,521
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.05%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 611,305	595,858	564,085	516,249	418,723	395,638	369,356	321,138	258,105	286,332
Contributions in relation to the statutorily required contribution	(611,305)	(595,858)	(564,085)	(516,249)	(418,723)	(395,638)	(369,356)	(321,138)	(258,105)	(286,332)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 6,845,521	6,672,542	6,506,171	6,397,138	6,024,791	5,692,633	5,816,630	5,308,066	4,488,783	4,979,687
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2015	July 1, 2012	-	584	584	0.0%	5,277	11.07%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 579,720	140,120	719,840	90,065	809,905
Receivables:					
Property tax:					
Delinquent	4,329	-	4,329	-	4,329
Succeeding year	275,001	-	275,001	-	275,001
Accounts	-	14,620	14,620	-	14,620
TOTAL ASSETS	\$ 859,050	154,740	1,013,790	90,065	1,103,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	7,878	7,878	-	7,878
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	275,001	-	275,001	-	275,001
Fund balances:					
Restricted for:					
Debt service	-	-	-	90,065	90,065
Management levy purposes	584,049	-	584,049	-	584,049
Student activities	-	149,018	149,018	-	149,018
Unassigned	-	(2,156)	(2,156)	-	(2,156)
Total fund balances	584,049	146,862	730,911	90,065	820,976
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 859,050	154,740	1,013,790	90,065	1,103,855

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, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 396,827	-	396,827	-	396,827
Other	20,085	440,961	461,046	1,935	462,981
State sources	239	-	239	-	239
Total revenues	417,151	440,961	858,112	1,935	860,047
Expenditures:					
Current:					
Instruction:					
Regular	96,822	-	96,822	-	96,822
Other	-	430,930	430,930	-	430,930
Support services:					
Administration	69	77	146	-	146
Operation and maintenance of plant	72,970	-	72,970	-	72,970
Long-term debt:					
Principal	-	-	-	675,000	675,000
Interest and fiscal charges	-	-	-	9,295	9,295
Total expenditures	169,861	431,007	600,868	684,295	1,285,163
Excess(Deficiency) of revenues over(under) expenditures	247,290	9,954	257,244	(682,360)	(425,116)
Other financing sources:					
Transfer in	-	-	-	679,147	679,147
Change in fund balances	247,290	9,954	257,244	(3,213)	254,031
Fund balances beginning of year	336,759	136,908	473,667	93,278	566,945
Fund balances end of year	\$ 584,049	146,862	730,911	90,065	820,976

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,607,933	764,329	2,372,262
Receivables:			
Property tax:			
Delinquent	-	3,635	3,635
Succeeding year	-	351,612	351,612
Due from other governments	150,122	-	150,122
TOTAL ASSETS	\$ 1,758,055	1,119,576	2,877,631
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	560	560
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	-	351,612	351,612
Fund balances:			
Restricted for:			
School infrastructure	1,758,055	-	1,758,055
Physical plant and equipment	-	767,404	767,404
Total fund balances	1,758,055	767,404	2,525,459
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,758,055	1,119,576	2,877,631

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	344,714	344,714
Other	36,339	16,120	52,459
State sources	961,918	201	962,119
Total revenues	<u>998,257</u>	<u>361,035</u>	<u>1,359,292</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	15	15
Transportation	-	174,000	174,000
Capital outlay	-	280,192	280,192
Total expenditures	<u>-</u>	<u>454,207</u>	<u>454,207</u>
Excess(Deficiency) of revenues over(under) expenditures	998,257	(93,172)	905,085
Other financing sources(uses):			
Insurance proceeds	-	224,085	224,085
Transfer out	(679,147)	-	(679,147)
Total other financing sources(uses)	<u>(679,147)</u>	<u>224,085</u>	<u>(455,062)</u>
Change in fund balances	319,110	130,913	450,023
Fund balances beginning of year	<u>1,438,945</u>	<u>636,491</u>	<u>2,075,436</u>
Fund balances end of year	<u>\$ 1,758,055</u>	<u>767,404</u>	<u>2,525,459</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 4,300	500	1,526	9,599	15,925
LIABILITIES	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 4,300	500	1,526	9,599	15,925

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				Total
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	
Additions:					
Local sources:					
Interest income	\$ 41	-	-	4,700	4,741
Contributions	3,000	500	500	-	4,000
Total additions	3,041	500	500	4,700	8,741
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	2,000	500	2,500	4,750	9,750
Change in net position	1,041	-	(2,000)	(50)	(1,009)
Net position beginning of year	3,259	500	3,526	9,649	16,934
Net position end of year	\$ 4,300	500	1,526	9,599	15,925

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 11,166	959	632	11,493
LIABILITIES				
Due to other groups	\$ 11,166	959	632	11,493

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech and drama	\$ 21,028	12,768	15,178	18,618
Vocal	11,385	4,531	2,085	13,831
HS musical	8,552	2,359	3,370	7,541
Instrumental	1,856	3,049	3,222	1,683
Cross country	24	7,857	7,463	418
Boys basketball-HS	342	11,162	10,166	1,338
Football-HS	2,541	30,428	32,654	315
Baseball-HS	2,133	10,954	11,118	1,969
Boys track	-	10,594	10,594	-
Soccer	-	4,544	4,544	-
Boys golf-HS	457	1,972	2,391	38
Wrestling-HS	3,090	21,297	21,237	3,150
Girls basketball-HS	660	12,095	11,685	1,070
Volleyball-HS	3,117	7,554	10,075	596
Softball-HS	3,432	7,370	7,918	2,884
Girls track-HS	2,813	9,952	12,695	70
Girls golf-HS	97	1,316	1,314	99
General athletics	(166)	142,146	132,505	9,475
Student council-HS	3,198	1,752	1,613	3,337
Student organization	23,478	11,591	13,037	22,032
Yearbook-HS	(4,718)	5,665	3,103	(2,156)
Montisports.org	41	-	-	41
5th grade	-	715	-	715
6th grade	2,702	1,311	539	3,474
7th grade	6,706	11,063	8,918	8,851
8th grade	1,920	8,434	8,571	1,783
Freshman	2,957	55	-	3,012
Sophomore	2,337	43	-	2,380
Junior	1,520	857	1,318	1,059
Senior	6,398	73	2,448	4,023
FFA	11,603	66,142	69,405	8,340
BPA	4,616	2,936	3,120	4,432
Coffee club	1,369	433	-	1,802
International club	493	9	-	502
Pawpcorn Club	-	438	-	438
Cheerleader	4,506	13,549	9,168	8,887
Dance team	278	11,415	7,464	4,229
Middle school concession	6,143	2,532	2,089	6,586
Total	<u>\$ 136,908</u>	<u>440,961</u>	<u>431,007</u>	<u>146,862</u>

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,841,780	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
Tuition	840,959	936,638	862,701	854,711	759,880	755,670	659,293	526,242	481,671	586,557
Other	798,344	594,814	647,222	654,154	788,697	520,340	622,440	603,091	821,359	653,247
Intermediate sources	10,556	260	19,090	7,600	2,000	14,234	11,500	8,486	5,000	-
State sources	7,163,684	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
Federal sources	434,502	377,700	396,411	523,183	588,444	812,137	399,212	296,740	265,660	384,005
Total	\$ 14,089,825	13,623,143	12,625,842	12,351,351	11,380,116	10,472,238	10,654,416	10,123,963	10,240,946	10,191,260
Expenditures:										
Instruction:										
Regular	\$ 4,360,701	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
Special	1,893,626	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
Other	1,609,270	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
Support services:										
Student	426,833	412,487	499,787	510,134	560,368	527,586	454,886	390,509	361,174	309,830
Instructional	564,683	556,139	498,552	586,231	734,412	527,643	498,005	311,762	174,757	332,202
Administration	1,112,691	1,099,128	1,112,573	1,053,951	935,772	924,900	927,515	826,027	942,843	754,436
Operation and maintenance of plant	992,163	1,039,779	882,032	863,339	855,532	814,809	798,079	778,701	741,601	830,135
Transportation	625,984	605,655	561,552	547,196	578,752	504,206	577,643	447,587	460,909	425,707
Non-instructional programs:										
Community service operations	-	-	-	-	610	-	364	648	-	-
Capital outlay	280,192	144,107	201,484	133,248	221,992	106,831	208,877	172,991	71,302	228,514
Long-term debt:										
Principal	675,000	670,000	2,620,000	600,000	580,000	565,000	545,000	530,000	465,000	499,470
Interest and fiscal charges	9,295	12,343	97,347	120,198	140,157	157,303	177,242	192,823	496,835	449,128
Other expenditures:										
AEA flow-through	435,751	415,155	388,386	381,001	405,016	402,724	367,852	348,272	325,674	303,507
Total	\$ 12,986,189	13,039,863	14,310,038	12,279,016	12,134,266	11,015,289	10,845,684	9,972,339	9,606,570	9,441,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 15	\$ 27,192
National School Lunch Program	10.555	FY 15	207,703 *
			<u>234,895</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>162,568</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>34,881</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>5,345</u>
Grantwood Area Education Agency:			
Special Education - Grants to States	84.027	FY 15	<u>50,579</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>5,492</u>
English Language Acquisition State Grants	84.365	FY 15	<u>8,590</u>
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
Medical Assistance Program	93.778	FY11	<u>1,463</u>
Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.	93.938	FY 15	<u>170</u>
Total			<u>\$ 503,983</u>

* - Includes \$29,568 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
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of Monticello Community School District:

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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2016.

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 a certain deficiency in internal control we consider to be a material weakness.

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-15 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.

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, 2015 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 3, 2016
Newton, Iowa

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 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, 2015. 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, 2015.

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 that 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-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 3, 2016
Newton, Iowa

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was 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
 - Individual Program:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Monticello Community School District did not qualify as a low-risk auditee.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 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 one or more 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) Receipts - journalizing, and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Wire transfers - processing and approving.
- 7) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) 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.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2015
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-15 Segregation of Duties - One important aspect of the internal control structure is the (2015-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more 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) Receipts - journalizing, and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Wire transfers - processing and approving.
- 7) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) 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 and Corrective Action Plan - The District will investigate alternatives and implement when possible.

Conclusion - Response accepted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the certified amounts budgeted.

IV-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-15 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-15 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 Donna Sauser, Associate Father-in-law owns Welter Storage	Supplies	\$1,982
Diane Deppe-Haag, Associate Spouse manages Spahn & Rose Lumber	Supplies	\$28,840
Casey Reyner, Coach Brother owns Darrell's Restaurant	Services	\$1,667
Callie Kromminga-Smith, Teacher Mother owns Brier Rose Father owns Kromminga Motors	Supplies Services	\$511 \$1,645
Steve Holmes, Coach Father owns Holmes Transmission	Services	\$1,214
Bud Johnson, Board Member Owns Mintex Citrus Owns Eastern Iowa Sports Facility	Fundraisers Supplies Entry Fees	\$22,583 \$900
		<u>\$23,483</u>

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, as the District went over the \$2,500 as limited by Chapter 279.7A of the Code of Iowa and the District did not receive bids for the services performed.

Recommendation - Chapter 279.7A of the Code of Iowa states 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.

In the future, the board of directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District's entire board of directors. Board members that have an affiliation with businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the district board minutes to avoid the appearance of a conflict of interest. We recommend the District contact its legal counsel regarding this issue.

Response - Written competitive bids will be required when a conflict of interest arises with a board member. The board member also will abstain for voting on the approval of the bid.

Conclusion - Response accepted.

IV-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students certified by the Iowa Department of Education was understated by 1.00 students for the fall 2014 count.

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

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

Conclusion - Response accepted.

IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.

IV-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,438,945
Revenues/transfers in:		
Sales tax revenues	\$ 961,918	
Other local revenues	<u>36,339</u>	<u>998,257</u>
		2,437,202
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		<u>679,147</u>
Ending balance		<u>\$ 1,758,055</u>

For the year ended June 30, 2015, 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>\$ 2.02292</u>	<u>\$ 679,147</u>

IV-M -15 Financial Condition - The District had deficit unrestricted net position of \$81,469 and a deficit total net position of \$31,096 in the Enterprise, School Nutrition Fund and deficit unrestricted and total net position in the Enterprise, Panther Academy Day Care Fund. The District also had deficit unrestricted net position in the District's Governmental Activities of \$3,505,696 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

The District also had one deficit account, the High School Yearbook, with deficit unassigned fund balance in the Student Activity Fund of \$2,156 at June 30, 2015.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward. The District should also monitor the deficit accounts within the Student Activity Fund and develop a workout plan with the group sponsor to bring this account back to a positive balance.

Response - The District will take steps to educate the Board of Education on GASB #68 and #71. The district will continue to monitor any negative student activity accounts and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.

IV-N-15 Signing of Contracts - During our audit we noted a contract with Xerox to lease copiers and printers was not signed by the Board President. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board president sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board president will sign all contracts for the District.

Conclusion - Response accepted.

IV-O-15 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail payroll checks via the United States Postal Service (USPS). Chapter 91A.3 of the Code of Iowa requires that an employer have a written authorization from any employee who wishes to receive a payroll check via the USPS before wages can be sent to the employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will ensure all payroll checks sent by mail have written authorization.

Conclusion - Response accepted.

IV-P-15 Band Program Investigation - In January 2014, the Band Parents Club met with District officials and expressed concerns regarding the deposit of proceeds from fundraisers and use of the Band Parents Club checking account. The Band Parents Club, in conjunction with District officials, reviewed bank activity from 2011 through 2013 and identified several disbursements which appear questionable. In addition, concerns about the amounts deposited from the fundraisers were identified. On August 19, 2014 the District attorney, and on August 20, 2014, the Superintendent, contacted the Office of the Auditor of State with concerns identified regarding the Band Parents Club checking account.

The following describes incidents discovered and illustrates weaknesses identified by the special investigation of the band program of the Monticello Community School District conducted by the Office of the Auditor of State in the special investigation report dated June 2, 2015. This report is available for review on the Office of the Auditor of State's website at <http://auditor.iowa.gov/reports/index.html>.

The Office of the Auditor of State performed procedures which included the evaluation of internal controls, reviewing the bank statements of the Band Parents Booster Club to determine propriety of disbursements made, reviewed accounting records to determine collections from annual car wash fundraiser, cheesecake sales, and uniform fees were properly deposited, reviewed personal bank statements of the Band Director and interviewed District officials, members of the Band Parents Club and the Band Director for explanations on certain procedures and transactions.

The Band Parents Club was organized as a booster club to support the band program with the checking account under the sole control of the Band Director beginning around the year 2000. A separate treasurer of the account was maintained until 2010, with disbursements made at the direction of the Band Director. Beginning in 2010 the Band Director began issuing checks and by 2012 was the sole individual in charge of this account. Because the Band Director operated this account while an employee of the District this checking account should have been turned over to the District as a District account not a booster club account.

The procedures listed in the third paragraph above identified improper and unsupported disbursements from the Band Parents Club checking account. These improper disbursements consisted primarily of cash withdrawals from the checking account while

the unsupported disbursements included payments to vendors and individuals. Also identified were ATM cash withdrawals made from the Band Parents Club which were not supported by any documentation. Representatives of the Band Parents Club could not provide any legitimate reasons for any ATM withdrawals being made on the account. Also identified were payments to vendors which did not appear to be for band program operations including restaurant purchases, hotels, and a check issued to the daughter of the Band Director for color guard services, however those services could not be identified. Debt card purchases were noted from this account; however the Band Director had not notified anyone a debit card was issued for this account and there was also no supporting documentation for the purchases made with the debit card. The state auditors were unable to determine if the purchases made with the debit card were for the band program or were personal in nature. Bank fees incurred by the account included ATM withdrawal fees, monthly low balance fees, excessive withdrawal fees and sales tax which were incurred as a direct result of the Band Director's management of the checking account.

The Band Parents Club's primary revenue sources include an annual car wash and cheesecake sales. The Band Director collected donations and revenues from these fundraisers and deposited the proceeds into the checking account; however any supporting documentation regarding funds collected was discarded after the fundraiser.

Uniform Fees were collected from students at the beginning of each school year to help cover the costs of uniform cleaning. The band program charged annual uniform fees of \$30 for freshmen and \$15 for returning students. No records were maintained by the Band Director regarding the uniform fees, and detailed deposits were not available to enable reconciliation of the fees collected from students to amounts deposited in the Band Parents Club checking account

The District also failed to notify the Office of the Auditor of State of any suspected embezzlement, theft or other significant irregularities immediately when the District became aware of such concerns regarding District fundraising procedures in accordance with Section 11.6(7) of the Code of Iowa.

Subsequent to this investigation a settlement agreement and release between the Monticello Community School District and the Band Director was reached resulting in the resignation of the Band Director effective on June 29, 2015.

Recommendation - In accordance with recommendations suggested by the Office of the Auditor of State from the special investigation of the band program of the Monticello Community School District the following recommendations in addition to recommendations already stated in this report should be reviewed by the District and the appropriate changes made to District policies and procedures:

As an additional control, the District should verify with local banks that employees have not established separate checking accounts for fundraising or any other purpose using the District's taxpayer identification number or their own personal taxpayer identification number. In addition, the District should request amounts held in non-district bank accounts which should have been deposited in District bank accounts be remitted to the District.

In accordance with District policy all fundraisers held by the activity groups within the District must be improved in advance by the Superintendent and the Board. The District requires written application to document this approval prior to events. The District should ensure all student activity sponsors are aware of the District's policy and the requirement for written applications.

The District should also ensure checks made by District accounts and activity clubs are properly approved prior to disbursement and invoices or receipts should be maintained for all transactions.

The Band Parents Club and other District activity groups should also ensure proper supporting documentation is maintained for money received as a result of fundraisers held. This documentation should be sufficient to allow an independent individual to reconcile the amounts deposited with the amounts collected to ensure all money collected was deposited with an appropriate District financial institution.

The District should also notify the Office of the Auditor of State of any suspected embezzlement, theft or other significant irregularities immediately upon notification in accordance with Section 11.6(7) of the Code of Iowa.

Response - The District will implement a review system for all booster clubs and ensure all activity sponsors are following District procedures. In addition, all local banks will be contacted on a regular basis to ensure that unauthorized accounts have not been established. Any suspected illegal activity will be immediately reported to the Office of the Auditor of State.

Conclusion - Response accepted.