

\$10,000,000*
Monticello Community School District, Iowa
General Obligation School Bonds
Series 2018

(FAST Closing)

(The Issuer will designate the Bonds as Bank-Qualified as discussed more thoroughly herein)

(Book Entry Only)

(PARITY© Bidding Available)

DATE: Wednesday, December 12, 2018
TIME: 1:30 PM Central
PLACE: Office of the Superintendent
711 S. Maple St.
Monticello, IA 52310
Telephone: (319) 465-5963
Fax: (319) 465-4092

Standard & Poor's Rating: "A+"

* Preliminary, subject to change

PiperJaffray®

3900 Ingersoll Ave., Suite 110
Des Moines, IA 50312
515/247-2340

OFFICIAL BID FORM

TO: Board of Directors of the Monticello Community School District, Iowa (the "Issuer")

Re: \$10,000,000* General Obligation School Bonds, Series 2018, dated the date of delivery, of the Issuer (the "Bonds")

For all or none of the above Bonds, we will pay you \$_____ for Bonds bearing interest rates and maturing in each of the stated years as follows:

<u>Coupon</u>	<u>Yield</u>	<u>Due</u>	<u>Coupon</u>	<u>Yield</u>	<u>Due</u>
_____	_____	May 1, 2020	_____	_____	May 1, 2030
_____	_____	May 1, 2021	_____	_____	May 1, 2031
_____	_____	May 1, 2022	_____	_____	May 1, 2032
_____	_____	May 1, 2023	_____	_____	May 1, 2033
_____	_____	May 1, 2024	_____	_____	May 1, 2034
_____	_____	May 1, 2025	_____	_____	May 1, 2035
_____	_____	May 1, 2026	_____	_____	May 1, 2036
_____	_____	May 1, 2027	_____	_____	May 1, 2037
_____	_____	May 1, 2028	_____	_____	May 1, 2038
_____	_____	May 1, 2029	_____	_____	

_____ We hereby elect to have the following issued as term bonds:

<u>Principal Amount</u>	<u>Month and Year (Inclusive)</u>	<u>Maturity Month and Year</u>
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____

Subject to mandatory redemption requirement in the amounts and at the times shown above

_____ We will not elect to have any bonds issued as term bonds

_____ We represent that we are a bidder with established industry reputation for underwriting new issuances of municipal bonds

_____ We will elect to utilize bond insurance from company _____ at a premium of \$ _____

This bid is for prompt acceptance and for delivery of said Bonds to us in compliance with the Official Terms of Offering, which is made a part of this proposal, by reference. Award will be made on a True Interest Cost Basis (TIC).

According to our computations (the correct computation being controlling in the award), we compute the following (to the dated date):

NET INTEREST COST:\$ _____ TRUE INTEREST RATE _____ %
 (Computed from the dated date)

 Account Manager

 Signature of Account Manager

The foregoing offer is hereby accepted by and on behalf of the Board of Directors of the Monticello Community School District, in the Counties of Delaware, Dubuque, Linn and Jones, State of Iowa, this 12th day of December 2018.

ATTEST: _____
 District Secretary

 Board President

* Preliminary, subject to change

OFFICIAL NOTICE OF SALE

Monticello Community School District
Not to Exceed \$10,000,000 General Obligation School Bonds, Series 2018

Bids will be received on behalf of the Monticello Community School District, in the Counties of Jones, Linn, Dubuque, and Delaware, State of Iowa, until 1:30 o'clock p.m. on December 12, 2018, for the purchase of not to exceed \$10,000,000 General Obligation School Bonds, Series 2018 (the "Series 2018 Bonds") of the School District.

Any of the methods set forth below may be used, but no open bids will be accepted:

- (1) Sealed Bidding: Sealed bids will be received at the Office of the Superintendent, 711 South Maple Street, Monticello, IA 52310, attn: Board Secretary.
- (2) Electronic Internet Bidding: Electronic internet bids will be received at the Office of the Superintendent, 711 South Maple Street, Monticello, IA 52310, and must be submitted through PARITY®.
- (3) Electronic Facsimile Bidding: Electronic facsimile bids will be received at the Office of the Superintendent, 711 South Maple Street, Monticello, IA 52310, and will be sealed and treated as sealed bids. Electronic facsimile bids should be faxed to (319) 465-4092.

After the deadline for receipt of bids has passed, sealed bids will be opened and announced, and electronic internet and facsimile bids will be accessed and announced. All bids will be presented to the Board of Directors of the School District for consideration at its meeting to be held at 6:00 o'clock p.m. on December 12, 2018 at the School District's Board Room, located at 711 South Maple Street, Monticello, Iowa.

Official Statement: The School District has issued an Official Statement of information pertaining to the Series 2018 Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the Secretary of the Board of Directors, Monticello Community School District, Office of the Superintendent, 711 South Maple Street, Monticello, IA 52310; Telephone: (319) 465-5963, or Travis Squires, Piper Jaffray & Co., 3900 Ingersoll, Suite 110, Des Moines, Iowa 50312; Telephone: (515) 247-2354.

Terms of Offering: All bids must be in conformity with and the sale must be in accord with the Terms of Offering as set forth in the Official Statement.

The School District reserves the right, after bids are opened and prior to award, to increase or decrease the principal amount of the Series 2018 Bonds offered for sale and/or to increase or decrease the principal amount of each maturity.

The bidders must specify a price of not less than 100% of par, plus accrued interest.

The Series 2018 Bonds will be sold subject to the legal opinion of Dorsey & Whitney LLP, Attorneys, Des Moines, Iowa.

The School District reserves the right to reject any or all bids and to waive irregularities in any bid.

Bidders should be aware that the Official Statement for the Series 2018 Bonds, including the Terms of Offering, in contain additional bidding terms and information relative to the Series 2018 Bonds, including without limitation requirements regarding the establishment of issue price for the Series 2018 Bonds. Bidders should prepare their bids on the assumption that the Series 2018 Bonds will be subject to the "hold-the-offering-price" rule, if the requirements for a competitive sale have not been met. Any bid submitted pursuant to the Official Statement or this Notice of Sale shall be considered a firm offer for the purchase of the Series 2018 Bonds, and bids submitted will not be subject to cancellation or withdrawal. In the event of a variance between statements in this Notice of Sale (except with respect to the time and place of the sale of the Series 2018 Bonds and the principal amount offered for sale) and said Official Statement, the provisions of the latter shall control.

By order of the Board of Directors of the Monticello Community School District.

Board Secretary, Board of Directors

OFFICIAL TERMS OF OFFERING

This section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

The Bonds to be offered are the following:

GENERAL OBLIGATION SCHOOL BONDS, SERIES 2018, in the principal amount of \$10,000,000* dated the date of delivery in the denomination of \$5,000 or multiples thereof, and maturing as shown on the front page of the official statement.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER DETERMINATION OF BEST BID. The aggregate principal amount of the Notes, and each scheduled maturity thereof, are subject to increase or reduction by the Issuer or its designee after the determination of the Successful Bidder. The Issuer may increase or decrease each maturity in increments of \$5,000. Interest rates specified by the Successful Bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the Issuer.

The dollar amount bid by the Successful Bidder may be changed if the aggregate principal amount of the Bonds, as adjusted as described below, is adjusted, however the interest rates specified by the Successful Bidder for all maturities will not change. The Issuer's financial advisor will make every effort to ensure that the percentage net compensation to the Successful Bidder (the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the Issuer (not including accrued interest), less any bond insurance premium and credit rating fee, if any, to be paid by the Successful Bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to principal amounts shown in the maturity schedule.

Optional Redemption: The Bonds maturing after May 1, 2027, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Interest: Interest on said Bonds will be payable on November 1, 2019 and semiannually on the 1st day of May and November thereafter. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

Book Entry System: The Bonds will be issued by means of a book entry system with no physical distribution of certificates made to the public. The Bonds will be issued in fully registered form and one certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the certificates with DTC.

Good Faith Deposit: A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a wire in the amount of \$100,000* for the Bonds, payable to the order of the Issuer, is required for each bid to be considered. If a check is used, it must accompany each bid. If a wire is to be used, it must be received by the Issuer not later than two hours after the time stated for receipt of bids. The Financial Advisor or the Issuer will provide the apparent winning bidder (the "Purchaser") with wiring instructions, by facsimile and email, within 10 minutes of the stated time when bids are due. If the wire is not received at the time indicated above, the Issuer will abandon its plan to award to the Purchaser, and will contact the next highest bidder received and offer said bidder the opportunity to become the Purchaser, on the terms as outlined in said bidder's bid, so long as said bidder submits a good faith wire within two hours of the time offered. The Issuer will not award the Bonds to the Purchaser absent receipt of the Deposit prior to action awarding the Bonds. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its bid, the Deposit will be retained by the Issuer.

* Preliminary, subject to change

Form of Bids: All bids shall be unconditional for the entire issue of Bonds for a price of not less than 100% of par, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth herein. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the Issuer or through the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bid, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be received after the time specified herein. The time as maintained by the Internet Bid System shall constitute the official time with respect to all Bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the Superintendent, Monticello Community School District, 711 S. Maple St., Monticello, IA.

Internet Bidding: Internet bids must be submitted through Parity® ("the Internet Bid System"). Information about the Internet Bid System may be obtained by calling 212-849-5000.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purpose of submitting its internet bid in a timely manner and in compliance with the requirements of the Official Terms of Offering. The Issuer is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the internet bidding and the Internet Bid System is not an agent of the Issuer. Provisions of the Official Terms of Offering shall control in the events of conflict with information provided by the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the Internet Bid System. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

Electronic Facsimile Bidding: Bids may be submitted via facsimile at the phone number listed on the front cover of this Preliminary Official Statement. Electronic facsimile bids will be sealed and treated as sealed bids. Transmissions received after the deadline shall be rejected. It is the responsibility of the bidder to ensure that the bid is legible, that the bid is received prior to the appointed time, and that the bid is sent to the telecopier number set forth above. The Financial Advisor will, in no instance correct, alter, or in any way change bids submitted through facsimile transmission. Neither the Issuer nor its agents will be responsible for bids submitted by facsimile transmission not received in accordance with the provisions of this Official Terms of Offering. Bidders electing to submit bids via facsimile transmission will bear full and complete responsibility for the transmission of such bid. Neither the Issuer nor its agents will assume liability for the inability of the bidder to reach the above name fax number prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator.

Rates of Interest: The rates of interest specified in the bidder's proposal must conform to the limitations following:

All Bonds of each annual maturity must bear the same interest rate.

Rates of interest bid may be in multiples of 1/8th, 1/20th, or 1/100th of 1%.

Delivery: The Bonds will be delivered to the Purchaser via FAST delivery with the Paying Agent holding the Bonds on behalf of DTC, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within sixty days after the sale. Should delivery be delayed beyond sixty days from date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw his bid and thereafter his interest in and liability for the Bonds will cease. (When the Bonds are ready for delivery, the Issuer may give the successful bidder five working days notice of the delivery date and the Issuer will expect payment in full on that date, otherwise reserving the right at its option to determine that the bidder has failed to comply with the offer of purchase.)

Establishment of Issue Price: The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer as a condition of Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel.

The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- 1) the Issuer shall disseminate this Terms of Offering to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- 2) all bidders shall have an equal opportunity to bid;

- 3) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- 4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Terms of Offering.

Any bid submitted pursuant to this Official Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the Issuer shall so advise the winning bidder. The Issuer shall treat the first price at which 10% of a maturity of the Bonds (the “10% test” is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Issuer if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Issuer will not require bidders to comply with the “hold-the-offering-price rule” and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

By submitting a bid, each bidder confirms that:

- 1) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and
- 2) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Terms of Offering. Further, for purposes of this Official Terms of Offering:

- 1) “public” means any person other than an underwriter or a related party,
- 2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- 3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- 4) “sale date” means the date that the Bonds are awarded by the Issuer to the winning bidder.

Official Statement: The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Notes, and any other information required by law or deemed appropriate by the Issuer, shall constitute a "Final Official Statement" of the Issuer with respect to the Notes, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By awarding the Notes to any underwriter or underwriting syndicate submitting an Official Bid Form therefore, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Notes are awarded one “.pdf” copy of the Official Statement and the addendum described in the preceding sentence to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat the senior managing underwriter of the syndicate to which the Notes are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Notes agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Notes for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CUSIP Numbers: It is anticipated that CUSIP numbers will be printed on the Bonds. In no event will the Issuer be responsible for or Bond Counsel review or express any opinion of the correctness of such numbers, and incorrect numbers on said Bonds shall not be cause for the purchaser to refuse to accept delivery of the Bonds. The fee will be paid for by the Issuer.

Responsibility of Bidder: It is the responsibility of the bidder to deliver its signed, completed bid prior to the time of sale as posted on the front cover of the official statement. Neither the Issuer nor its Financial Advisor will assume responsibility for the collection of or receipt of bids. Bids received after the appointed time of sale will not be opened.

Continuing Disclosure: In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of the Rule, the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution and pursuant to a Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the Issuer to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

For more information see the Continuing Disclosure section herein.

Bond Insurance: Application has not been made for municipal bond insurance. Should the Bonds qualify for the issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser. Any increased costs of issuance on the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Issuer has requested and received a rating on the Bonds from a municipal bond rating service, the Issuer will pay that rating fee. Any other rating service fees shall be the responsibility of the Purchaser.

Requested modifications to the Bond Resolution or other issuance documents shall be accommodated by the Issuer at its sole discretion. In no event will modifications be made regarding the investment of funds created under the Bond Resolution or other issuance documents without prior Issuer consent, in its sole discretion. Either the Purchaser or the insurer must agree, in the insurance commitment letter or separate agreement acceptable to the Issuer in its sole discretion, to pay any future continuing disclosure costs of the Issuer associated with any rating changes assigned to the municipal bond insurer after closing (for example, if there is a rating change on the municipal bond insurer that require a material event notice filing by the Issuer, the Purchaser or the municipal bond insurer must agree to pay the reasonable costs associated with such filing). Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds.

**ISSUE PRICE CERTIFICATE IF COMPETITIVE SALE
REQUIREMENTS ARE MET
EXHIBIT A**

_____ **COMMUNITY SCHOOL DISTRICT**
[\$[PRINCIPAL AMOUNT] [BOND CAPTION]
ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ ("Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

I. Reasonably Expected Initial Offering Price.

- a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by Purchaser to purchase the Bonds.
- b) Purchaser was not given the opportunity to review other bids prior to submitting its bid.
- c) The bid submitted by Purchaser constituted a firm offer to purchase the Bonds.

2. Defined Terms.

- a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- d) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- e) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.
- f) Underwriter means (i) the Purchaser or any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Exemption Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES

(Attached)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(Attached)

**ISSUE PRICE CERTIFICATE IF COMPETITIVE SALE
REQUIREMENTS ARE NOT MET**

EXHIBIT A

_____ **COMMUNITY SCHOOL DISTRICT**

[\$[PRINCIPAL AMOUNT] [BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ ("Purchaser"), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

- 1. Sale of the Bonds.** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

- 2. Defined Terms.**
 - a) Issuer means the _____ Community School District.

 - b) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

 - c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

 - d) Underwriter means (i) the Purchaser or any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Exemption Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[Signature Page Follows]

[UNDERWRITER][REPRESENTATIVE]

By: _____
Name: _____

Dated: [ISSUE DATE]

SCHEDULE A

SALE PRICES

(Attached)

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 21, 2018

NEW ISSUE - DTC BOOK ENTRY ONLY

Rating: "A+"

Cover page insert: In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "Code"); it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations for taxable years beginning before January 1, 2018, such interest is taken into account in determining adjusted current earnings. See "TAX EXEMPTION AND RELATED TAX MATTERS" herein.

\$10,000,000*
Monticello Community School District, Iowa
General Obligation School Bonds
Series 2018

Dated: Date of Delivery

The General Obligation School Bonds, Series 2018 described above (the "Bonds") are issuable as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds is payable on May 1, and November 1 in each year, beginning November 1, 2019 to the registered owners thereof. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

The Bonds maturing after May 1, 2027 may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

MATURITY SCHEDULE

<u>Bonds Due</u>	<u>Amount*</u>	<u>Rate *</u>	<u>Yield *</u>	<u>Cusip #'s **</u>	<u>Bonds Due</u>	<u>Amount*</u>	<u>Rate *</u>	<u>Yield *</u>	<u>Cusip #'s **</u>
May 1, 2020	\$200,000			614427 CC4	May 1, 2030	\$595,000			614427 CN0
May 1, 2021	200,000			614427 CD2	May 1, 2031	620,000			614427 CP5
May 1, 2022	200,000			614427 CE0	May 1, 2032	645,000			614427 CQ3
May 1, 2023	200,000			614427 CF7	May 1, 2033	670,000			614427 CR1
May 1, 2024	200,000			614427 CG5	May 1, 2034	700,000			614427 CS9
May 1, 2025	500,000			614427 CH3	May 1, 2035	730,000			614427 CT7
May 1, 2026	515,000			614427 CJ9	May 1, 2036	760,000			614427 CU4
May 1, 2027	530,000			614427 CK6	May 1, 2037	790,000			614427 CV2
May 1, 2028	550,000			614427 CL4	May 1, 2038	820,000			614427 CW0
May 1, 2029	575,000			614427 CM2					

\$ _____ % Term bond due Priced to yield CUSIP # _____

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Dorsey & Whitney LLP Des Moines, Iowa, Bond Counsel. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about December 20, 2018. The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

The Date of this Official Statement is _____, 2018

* Preliminary, subject to change

** CUSIP numbers shown above have been assigned by a separate organization not affiliated with the Issuer. The Issuer has not selected nor is responsible for selecting the CUSIP numbers assigned to the Bonds nor do they make any representation as to the correctness of such CUSIP numbers on the Bonds or as indicated above.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy any of the securities offered hereby in any state to any persons to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The Issuer considers the Official Statement to be "near final" within the meaning of Rule 15c2-12 of the Securities Exchange Commission. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTIONS 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATIONS OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

FORWARD-LOOKING STATEMENTS

This Official Statement, including Appendix A, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget" or similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT EXPECT OR INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

OFFICIAL STATEMENT
MONTICELLO COMMUNITY SCHOOL DISTRICT, IOWA
\$10,000,000* GENERAL OBLIGATION SCHOOL BONDS, SERIES 2018

INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the Monticello Community School District, Iowa (the “Issuer”), in connection with the sale of the Issuer’s General Obligation School Bonds, Series 2018 (the “Bonds”). The Bonds are being issued to provide funds for the purpose of i) furnishing, equipping, constructing, improving, repairing and renovating school buildings and improving the sites, including a new 5-8 grade building located on the existing high school campus, energy and mechanical improvements to existing school buildings, relocation of athletic fields and other site and building improvements, and ii) to pay costs of issuance for the Bonds. See “**SOURCES AND USES OF FUNDS**” herein.

This Preliminary Official Statement is deemed to be a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain pricing and other information which is to be made available through a final Official Statement.

This Introductory Statement is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety.

The Bonds are general obligations of the Issuer, payable from and secured by a continuing annual ad-valorem tax levied against the property valuation of the Issuer. See “**THE BONDS – Source of Security for the Bonds**” herein.

All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

THE BONDS

General

The Bonds are dated as of the date of delivery and will bear interest at the rates to be set forth on the cover page herein, interest payable on May 1 and November 1 in each year, beginning on November 1, 2019, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

Authorization for the Issuance

The Bonds are being issued pursuant to the Code of Iowa, 2017, as amended, Chapter 298.

Book Entry Only System

The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the Issuer believes to be reliable. However, the Issuer takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities in the aggregate principal amount of such issue, and will be deposited with DTC.

* Preliminary, subject to change

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S equity issues, corporate and municipal debt issues and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participations include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC").

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered in the transaction. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to taken certain steps to augment transmission to them notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit have agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial owners may wish to provide their names and addresses to the registrar and request that copies of the notices by provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participants in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered

in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or successor securities depository). In that event Security certificates will be printed and delivered to DTC.

The Issuer cannot and does not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest and premium, if any, on the Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities Exchange Commission, and the current “Procedures” of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Issuer nor the Paying Agent will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as a Bondholder.

Transfer and Exchange

In the event that the Book Entry System is discontinued, any Bond may, in accordance with its terms, be transferred by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate office of the Registrar accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Registrar. Whenever any Bond or Bonds shall be surrendered for transfer, the Registrar shall execute and deliver a new Bond or Bonds of the same maturity, interest rate, and aggregate principal amount.

Bonds may be exchanged at the principal corporate office of the Registrar for a like aggregate principal amount of Bonds or other authorized denominations of the same maturity and interest rate; provided, however, that the Registrar is not required to transfer or exchange any Bonds which have been selected for prepayment and is not required to transfer or exchange any Bonds during the period beginning 15 days prior to the selection of Bonds for prepayment and ending the date notice of prepayment is mailed. The Registrar may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. All Bonds surrendered pursuant to the provisions of this and the preceding paragraph shall be canceled by the Registrar and shall not be redelivered.

Prepayment

Optional Prepayment: The Bonds maturing after May 1, 2027, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Notice of Prepayment. Prior to the redemption of any Bonds under the provisions of the Resolution, the Registrar shall give written notice not less than thirty (30) days prior to the redemption date to each registered owner thereof. Written notice shall be effective upon the date of transmission to the owner of record of the Bond.

Mandatory Sinking Fund Redemption The Bonds maturing on _____ are subject to mandatory redemption (by lot, as selected by the Registrar) on ____ 1 and _____ in each of the years ____ through ____ at a redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the redemption date in the following principal amounts:

Matters Relating to Enforceability of Agreements

Holders of the Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Bonds, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Bond Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Bond Resolution. The remedies available to the owners of the Bonds upon an event of default under the Bond Resolution, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Bond Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made, and no assurance is given, that the enforcement of any remedies with respect to such assets will result in sufficient funds to pay all amounts due under the Bond Resolution or the Loan Agreement, including principal of and interest on the Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, and secondary marketing practices in connection with a particular Bond or Bonds issue are suspended or terminated. Additionally, prices of bond or note issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Pension and OPEB Information

The Issuer contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2017 (the "IPERS CAFR") indicates that as of June 30, 2017, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 81.4%, and the unfunded actuarial liability was \$6.967 billion. The IPERS CAFR identifies the IPERS Net Pension Liability at June 30, 2017, at approximately \$6.661 billion, while its net pension liability at June 30, 2016 was approximately \$6.293 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on IPERS.

In fiscal year ended June 30, 2017, the Issuer's IPERS contribution totaled approximately \$684,557. The Issuer is current in its obligations to IPERS.

Pursuant to Governmental Accounting Standards Board Statement No. 68, IPERS has allocated the net pension liability among its members, with the Issuer's identified portion at June 30, 2017 at approximately \$6,283,999. While the Issuer's contributions to IPERS are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See "APPENDIX A – INFORMATION ABOUT THE ISSUER – 'Employee Pension Plan' and 'Other Employment Benefits'", and APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on pension and liabilities of the Issuer.

Bond Counsel, Financial Advisor's Counsel, the Underwriter, the Financial Advisor and the Issuer undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor's website or links to other Internet sites accessed through the IPERS website.

The Issuer operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 107 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement. The medical/prescription drug benefits, is a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. The contribution requirements of plan members are established and may be amended by the Issuer.

The Issuer currently finances the retiree benefit plan on a pay-as-you-go basis. For the year ended June 30, 2017, the Issuer contributed \$17,727 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

Rating

Standard and Poor's (the "Rating Agency") has assigned a rating of "A+" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of the Rating Agency, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Rating agencies are currently not regulated by any regulatory body. Future regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Matters, Bank Qualification and Loss of Tax Exemption

As discussed under the heading "TAX EXEMPTION AND RELATED TAX MATTERS" herein, the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Issuer in violation of its covenants in the Resolution. Should such an event of taxability occur, the Bonds would not be subject to a special redemption and would remain outstanding until maturity or until redeemed under the redemption provisions contained in the Bonds, and there is no provision for an adjustment of the interest rate on the Bonds.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. However, the Issuer's failure to comply with such covenants could cause the Bonds not to be "qualified tax-exempt obligations" and banks and certain other financial institutions would not receive more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

It is possible that actions of the Issuer after the closing of the Bonds will alter the tax exempt status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset. A determination of taxability on the Bonds, after closing of the Bonds, could materially adversely affect the value and marketability of the Bonds.

Pending Federal Tax Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals are pending in Congress that could, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

DTC-Beneficial Owners

Beneficial Owners of the Bonds may experience some delay in the receipt of distributions of principal of and interest on the Bonds since such distributions will be forwarded by the Paying Agent to DTC and DTC will credit such distributions to the accounts of the Participants which will thereafter credit them to the accounts of the Beneficial Owner either directly or indirectly

through indirect Participants. Neither the Issuer nor the Paying Agent will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions in the Bonds can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See “**THE BONDS–Book-Entry Only System.**”

Other Factors

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

LITIGATION

The District encounters litigation occasionally, as a course of business, however, no litigation currently exists that is not believed to be covered by current insurance carriers and no litigation has been proposed that questions the validity of these bonds.

ACCOUNTANT

The accrual-basis financial statements of the Issuer included as **APPENDIX D** to this Official Statement have been examined by Nolte, Cornman & Johnson, P.C. to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said CPA, and said CPA expresses no opinion with respect to the Bonds or the Official Statement.

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by ____ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$_____ (reflecting the par amount of the Bonds with original issue premium of \$_____ and an underwriter's discount of \$_____).

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the cover page. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter.

The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

THE PROJECT

The Bonds are being issued to provide funds for the purpose of i) furnishing, equipping, constructing, improving, repairing and renovating school buildings and improving the sites, including a new 5-8 grade building located on the existing high school campus, energy and mechanical improvements to existing school buildings, relocation of athletic fields and other site and building improvements, and ii) to pay costs of issuance for the Bonds.

SOURCES AND USES OF FUNDS *

Sources of Funds	Bond Proceeds	\$10,000,000
	Reoffering Premium	TBD
Total Sources of Funds		\$10,000,000
Uses of Funds	Deposit to Project fund	\$9,935,000
	Estimated Costs of Issuance	65,000
	Underwriter's Discount	TBD
	Total Uses of Funds	

* Preliminary, subject to change

TAX EXEMPTION AND RELATED TAX MATTERS

Federal Income Tax Exemption

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "Code"), provided, however that such interest must be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations for taxable years beginning before January 1, 2018.

The opinion set forth in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of the Bonds should consult with their tax advisors as to such matters.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax exempt status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Qualified Tax-Exempt Obligations

In the resolution authorizing the issuance of the Bonds, the Issuer will designate the Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations. In the opinion of Bond

Counsel, the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Original Issue Premium

The Bonds maturing in the years _____ are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire the Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder’s constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire any Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling the Bonds acquired at a premium.

FINANCIAL ADVISOR

The Issuer has retained Piper Jaffray & Co. as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of the Official Statement. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest thereon (see “TAX EXEMPTION AND RELATED CONSIDERATION” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX B. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

Bond Counsel has not undertaken to prepare the Official Statement except for Appendices B and C, and has not examined nor attempted to examine or verify any information contained in this Official Statement except under the caption “TAX EXEMPTION AND RELATED CONSIDERATION.”

CONTINUING DISCLOSURE

For the purpose of complying with Rule 15c2-12 of the Securities Exchange Commission, as amended and interpreted from time to time (the “Rule”), the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds to provide reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, and the events as to which notice is to be given, if material, is summarized below under the caption “APPENDIX C - Form of Continuing Disclosure Certificate” herein for more information. This covenant is being made by the Issuer to assist the Underwriter(s) in complying with the Rule.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or Resolution, respectively. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the Issuer to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

During the past five years, the Issuer has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule.

I have reviewed the information contained within the Official Statement of the Community School District, State of Iowa, and to the best of our knowledge, information and belief said Official Statement does not contain any material misstatements of fact nor omissions of any material fact which is necessary to make the statements and information herein, in light of the circumstances under which they were made, not misleading regarding the issuance of \$10,000,000* General Obligation School Bonds, Series 2018.

MONTICELLO COMMUNITY SCHOOL DISTRICT, STATE OF IOWA

/s/ Judy Hayden
Board Secretary

* Preliminary, subject to change

APPENDIX A – GENERAL INFORMATION ABOUT THE ISSUER

MONTICELLO COMMUNITY SCHOOL DISTRICT, IOWA

DISTRICT OFFICIALS

PRESIDENT	Bud Johnson
BOARD MEMBERS	Mandy Norton Craig Stadtmueller David Melchert John Schlarmann
SUPERINTENDENT	Brian Jaeger
DISTRICT SECRETARY	Judy Hayden
DISTRICT TREASURER	Marcy Gillmore
DISTRICT ATTORNEY	Lynch Dallas, P.C., Cedar Rapids, IA Gruhn Law Firm Cedar Rapids, IA Strittmatter Law Firm Monticello, IA

CONSULTANTS

BOND & DISCLOSURE COUNSEL	Dorsey & Whitney LLP Des Moines, Iowa
FINANCIAL ADVISOR	Piper Jaffray & Co. Des Moines, Iowa
PAYING AGENT	Bankers Trust Co. Des Moines, Iowa

General Information

The Monticello Community School District is located in Jones County in east central Iowa. The District includes the City of Monticello as well as unincorporated land in Jones, Linn, Dubuque, and Delaware Counties, covering approximately 190 square miles. Transportation is provided via U.S. Highway 151 as well as County Road 38. Interstate Highway 380 is located 32 miles west of the District, in nearby Cedar Rapids. Monticello is home to a regional airport with commercial airline services available in Cedar Rapids.

Monticello is home to Kirkwood Jones Regional Education Center, with local opportunities to receive college credit from both Kirkwood and Mt. Mercy College. Through a short commute, residents also have access to the main campuses of University of Iowa, Coe College, Mt. Mercy College, and Kirkwood Community College.

District Facilities

Presented below is a recap of the existing facilities of the District:

<u>Building</u>	<u>Construction Date</u>	<u>Grades Served</u>
High School	1998	9-12
Middle School	1923, 1961	5-8
Carpenter Elementary	1955	2-4
Shannon Elementary	1961	PK-1

Source: Monticello CSD

Enrollment

Total enrollment in the District in the fall of the past five school years has been as follows:

	<u>Certified (Resident) (1)</u>	<u>Open Enroll In</u>	<u>Open Enroll Out</u>	<u>Total Served (2)</u>
October-18*	962.31	83.0	48.5	997.81
October-17	993.6	91.0	44.8	1,042.8
October-16	1,025.7	80.0	46.6	1,059.1
October-15	1,050.1	81.0	41.0	1,090.1
October-14	1,028.8	85.0	33.8	1,080.0
October-13	1,020.6	82.0	39.3	1,063.3

Source: Department of Education

1 Used for Sales Tax distribution

2 Used for State Aid distribution

* preliminary

Staff

Presented below is a list of the District's 209 employees.

Administrators:	12	Media Specialists:	2
Teachers:	80	Nurses:	2
Teacher Aides:	42	Guidance:	3
Custodians:	8	Secretaries:	8
Food Service:	15	Transportation:	10
Other:	26	Maintenance:	1

Source: Monticello CSD

GASB 45

In June 2004, the Governmental Accounting Standards Board (“GASB”) issued GASB 45, which address how state and local governments are required to account for and report their costs and obligations related to other post employment benefits (“OPEB”), defined to include post retirement healthcare benefits. GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension establishes financial reporting standards designed to measure, recognize and display OPEB costs. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The provisions of GASB 45 do not require governments to fund their OPEBs. The Issuer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods.

Consistent with Iowa Code section 509A.13, the Issuer offers post-retirement health and dental benefits are available to all fulltime employees of the Issuer who retire before attaining age 65. The group health insurance plan provided to full time Issuer employees allows retirees to continue medical coverage until they reach age 65. Although retirees pay 100% of the “cost of coverage”, the pre-age 65 group of retirees is grouped with the active employees when determining the cost of coverage. The computation creates an implicit rate subsidy that would not exist if the cost of the coverage for this group (pre-age 65 retirees) was computed separately and paid 100% by that group.

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 107 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 Costs and Net OPEB Obligation - The District’s annual OPEB costs is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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 June 30, 2017, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual Required Contribution	\$73,625
Interest on net OPEB obligation	9,726
Adjustment to annual required contribution	(34,396)
Annual OPEB costs (expense)	48,955
Contributions made	(17,727)
Increase in net OPEB obligation	31,228
Net OPEB obligation – beginning of year	389,047
Net OPEB obligation – end of year	420,275

For calculation of the net OPEB obligation, the actuary has set the transition day as of July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District contributed \$17,727 to the medical plan.

The District’s annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 are summarized as follows:

Fiscal Year ended	Annual OPEB Cost	Percentage of Annual OPEB cost contributed	Net OPEB obligation
June 30, 2015	\$85,522	22.3%	357,464
June 30, 2016	48,256	34.6	389,047
June 30, 2017	48,955	36.2	420,275

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$0.451 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.451 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.438 million, and the ratio of the UAAL to the covered payroll was 7.01%.

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 healthcare 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 process presented above, will present multi year trend information about whether other actuarial value of plan assets is increasing or decreasing over time relative to the actuarial 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 that are 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 July 1, 2015, 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 annual medical trend rate is 6%.

Mortality rates are from the RP 2000 Annuity Mortality Table, projected to 2015, applied on a gender-specific basis. Annual retirement probabilities were developed from information provided by the District. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Source: District’s 2017 Independent Audited Financial Statement

Employee Pension Plan

Plan Description. Iowa Public Employees’ Retirement System (“IPERS”) membership is mandatory for employees of the Issuer. The Issuer’s employees are provided with pensions through a cost-sharing multiple employer defined pension plan administered by IPERS. IPERS benefits are established under Iowa Code, Chapter 97B and the administrative rules thereunder. The Issuer’s employee who completed seven years of covered service or has reached the age of 65 while in IPERS covered employment becomes vested. If the Issuer’s employee retires before normal retirement age, the employees’ monthly retirement benefit will be permanently reduced by an early-retirement reduction. IPERS provides pension benefits as well as disability benefits to Issuer employees and benefits to the employees’ beneficiaries upon the death of the eligible employee. See “**APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS**” for additional information on IPERS. Additionally, copies of IPERS annual financial report may be obtained from www.ipers.org. Moreover, IPERS maintains a website at www.ipers.com. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Contributions. Although the actuarial contribution rates are calculated each year, the contribution rates were set by state law through June 30, 2012 and did not necessarily coincide with the actuarially calculated contribution rate. As a result, from June 30, 2002 through June 30, 2013, the rate allowed by statute was less than the actuarially required rate. Effective July 1, 2012, as a result of a 2010 law change, IPERS contribution rates for the Issuer and its employees are established by IPERS following the annual actuarial valuation (which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization method.) State statute, however, limits the amount rates can increase or decrease each year to one (1) percentage point. Therefore, any difference between the actuarial contribution rates and the contributions paid is due entirely to statutorily set contributions that may differ from the actual contribution rates. As a result, while the contribution rate in the fiscal year ended June 30, 2017 equaled the actuarially required rate, there is no guarantee, due to this statutory limitation on rate increases, that the contribution rate will meet or exceed the actuarially required rate in the future.

In fiscal year 2017, pursuant to the IPERS’ required rate, the Issuer’s employees contributed 5.95% of pay and the Issuer contributed 8.93% for a total rate of 14.88 percent. The Issuer’s contributions to IPERS for the year ended June 30, 2017 were \$684,557 which amount is not less than its actuarially determined calculated annual actuarial valuation. The Issuer’s share of the contribution, payable from the applicable funds of the Issuer, is provided by a statutorily authorized annual levy of taxes without limit or restriction as to rate or amount. The Issuer has always made its full required contributions to IPERS.

The following table sets forth the contributions made by the Issuer and its employees to IPERS for the period indicated. The Issuer cannot predict the levels of funding that will be required in the future.

Table 1 – Issuer and Employees Contribution to IPERS.

Fiscal Year	Issuer Contribution		Issuer Employees’ Contribution	
	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll
2013	\$564,085	8.67	\$376,056	5.78
2014	595,585	8.93	396,834	5.95
2015	611,305	8.93	407,308	5.95
2016	631,630	8.93	420,850	5.95
2017	684,557	8.93	456,116	5.95

SOURCE: The Issuer

The Issuer cannot predict the levels of funding that will be required in the future as any IPERS unfunded pension benefit obligation could be reflected in future years in higher contribution rates. The investment of moneys, assumptions underlying the same and the administration of IPERS is not subject to the direction of the Issuer. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of IPERS (“UAALS”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, adjustments, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAAL could be substantial in the future, requiring significantly increased contributions from the Issuer which

could affect other budgetary matters.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the comprehensive annual financial reports of IPERS for the fiscal years ended June 30, 2017 through, and including, 2013 (collectively, the “IPERS CAFRs (2013-2017)”), and the actuarial valuation reports provided to IPERS by Cavanaugh MacDonald Consulting, LLC (collectively, the “IPERS Actuarial Reports (2013-2017)”). Additional information regarding IPERS and its latest actuarial valuations can be obtained by contacting IPERS administrative staff.

Table 2 – Funding Status of IPERS

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) % [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
2013	24,711,096,187	24,756,663,715	30,498,342,320	5,787,246,133	81.02	5,741,678,605	81.17	6,880,131,134	84.12
2014	26,460,428,085	28,038,549,893	32,004,456,088	5,544,028,003	82.68	3,965,906,195	87.61	7,099,277,280	78.09
2015	27,915,379,103	28,429,834,829	33,370,318,731	5,454,939,628	83.65	4,940,483,902	85.19	7,326,348,141	74.46
2016	29,033,696,587	28,326,433,656	34,619,749,147	5,586,052,560	83.86	6,293,315,491	81.82	7,556,515,720	73.92
2017	30,472,423,914	30,779,116,326	37,440,382,029	6,967,958,115	81.39	6,661,265,703	82.21	7,863,160,443	88.62

Source: IPERS CAFRs (2013-2017) and IPERS Actuarial Reports (2013-2017)

For a description of the assumptions used when calculating the funding status of IPERS for the fiscal year ended June 30, 2017, see IPERS CAFRs (2013-2017)

Table 3 – Recent returns of IPERS

According to IPERS, the market value investment return on program assets is as follows:

Fiscal Year Ended June 30	Investment Return %
2013	10.12
2014	15.88
2015	3.96
2016	2.15
2017	11.70

Net Pension Liabilities.

Effective for fiscal years beginning after June 15, 2014, GASB Statement 68 requires all reporting units in a multi-employer cost sharing pension plan to record a balance sheet liability for their proportionate share of the net pension liability of the plan. The Issuer was required to implement GASB 68 in their year end June 30, 2015 financial statements.

At June 30, 2017, the Issuer reported a liability of \$6,283,999 for its proportional share of the IPERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discount rate used to measure the total pension liability was 7.5%. The Issuer’s proportion of the net pension liability was based on the Issuer’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. See “**APPENDIX D–AUDITED FINANCIAL STATEMENTS OF THE ISSUER–NOTES TO THE FINANCIAL STATEMENTS**” for additional information related to the Issuer’s deferred outflows and inflows of resources related to pensions, actuarial assumptions, discount rate and discount rate sensitivity.

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.

Bond Counsel, Disclosure Counsel, the Issuer, and the Financial Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the material available from IPERS as discussed above or included on the IPERS website, including, but not limited to, updates of such information on the Auditor of State’s website or links to other websites through the IPERS website.

Investment of Public Funds

The District invests its funds pursuant to Chapter 12B of the Code. Presented below is the District's investing activities as of June 30, 2018.

<u>Type of Investment</u>	<u>Amount Invested</u>
Local Bank Money Market	\$10,540,945.99
Local Bank Deposit Accounts	10,000
Local Bank Time CD's	0
ISJIT Money Market	612.88
ISJIT Time CD's	0

Source: Monticello CSD

Population

Presented below are population figures for the periods indicated for the city of Monticello:

<u>Year</u>	<u>Population</u>
2010	3796
2000	3607
1990	3522
1980	3641
1970	3509

Source: U.S. Census Bureau

Major Employers

Presented below is a summary of the largest employers in the District:

<u>Employer</u>	<u>Business</u>	<u>Approximate Employees</u>
MedPlast	Plastic injection and tooling	180
Energy Manufacturing	Hydraulic cylinders	161
Julin Printing	Commercial printing	65
M-C Industries	Plastic injection molding	154
Monticello Community Schools	Education	209
Orbis	Plastic shipping containers and pallets	102
Star Building Systems	Engineered metal buildings	133
Welter Storage & Equipment	New/used office furnishing	60

Source: Locationone.com

Property Tax Assessment

In compliance with section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Assessed or Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential and commercial property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Assessed or Taxable Valuation. The rollback percentages for residential, agricultural and commercial valuations are as follows:

<u>Fiscal Year</u>	<u>Residential Rollback</u>	<u>Ag. Land & Buildings</u>	<u>Commercial</u>	<u>Multi-residential</u>
2018-19	55.6209	54.4480	90.0000	78.7500
2017-18	56.9391	47.4996	90.0000	82.5000
2016-17	55.6259	46.1068	90.0000	86.2500
2015-16	55.7335	44.7021	90.0000	
2014-15	54.4002	43.3997	95.0000	

Source: Iowa Department of Revenue

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year.

For example, the assessments finalized on January 1, 2017 are used to calculate tax liability for the tax year starting July 1, 2018 through June 30, 2019. Presented below are the historic property valuations of the Issuer by class of property.

Property Valuations

Actual Valuation					
Valuation as of January	2017	2016	2015	2014	2013
Fiscal Year	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Residential:	295,180,551	281,543,289	280,569,458	259,346,433	255,458,174
Agricultural Land:	211,010,151	238,048,732	238,082,672	213,427,412	213,421,842
Ag Buildings:	11,126,200	15,515,010	14,825,990	18,990,400	18,173,490
Commercial:	43,589,633	42,639,816	40,635,764	48,565,814	39,779,025
Industrial:	12,284,383	12,337,531	12,306,667	12,514,593	10,054,974
Multiresidential:	7,772,772	8,275,881	7,902,319		
Personal RE:				0	0
Railroads:	0	0	0	0	0
Utilities:	18,449,056	17,609,320	18,463,294	26,823,136	27,018,675
Other:	0	0	0	0	0
Total Valuation:	599,412,746	615,969,579	612,786,164	579,667,788	563,906,180
Less Military:	618,568	646,348	672,276	698,204	709,316
Net Valuation:	598,794,178	615,323,231	612,113,888	578,969,584	563,196,864
TIF Valuation:	24,164,333	22,186,521	21,698,042	21,550,000	21,699,087
Utility Replacement:	40,655,357	35,192,341	33,968,637	31,188,043	28,976,423
Taxable Valuation					
Valuation as of January	2017	2016	2015	2014	2013
Fiscal Year	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Residential:	157,634,527	154,573,123	150,394,805	138,001,450	132,068,834
Agricultural Land:	114,890,815	113,072,152	109,772,282	95,406,552	92,667,855
Ag Buildings:	6,057,994	7,369,521	6,835,800	8,489,109	7,887,230
Commercial:	38,510,859	37,700,889	35,896,422	43,088,675	37,495,165
Industrial:	10,973,268	11,027,789	11,000,999	11,206,409	9,519,026
Multiresidential:	5,826,592	6,589,871	6,622,884		
Personal RE:				0	0
Railroads:	0	0	0	0	0
Utilities:	18,449,056	17,609,320	18,463,294	26,823,137	27,018,675
Other:	0	0	0	0	0
Total Valuation:	352,343,111	347,942,665	338,986,486	323,015,332	306,656,785
Less Military:	618,568	646,348	672,276	698,191	717,340
Net Valuation:	351,724,543	347,296,317	338,314,210	322,317,141	305,939,445
TIF Valuation:	24,164,333	22,186,521	21,698,042	21,549,987	21,697,851
Utility Replacement:	7,290,415	7,368,056	7,570,063	7,745,221	8,089,183

Valuation Year	Actual Valuation w/ Utilities	% Change in Actual Valuation	Taxable Valuation w/ Utilities	% Change in Taxable Valuation
2017	663,613,868	-1.35%	383,179,291	1.68%
2016	672,702,093	0.74%	376,850,894	2.52%
2015	667,780,567	5.71%	367,582,315	4.54%
2014	631,707,627	2.91%	351,612,349	4.73%
2013	613,872,374	15.80%	335,726,479	3.97%

Source: Iowa Department of Management

Tax Rates

Presented below are the taxes levied by the District for the fund groups as presented, for the period indicated:

Fiscal Year	General Fund	Mment Fund	Board PPEL	Voter PPEL	Play-ground	Debt Service	School-house	Total Levy
2019	11.04275	0.55708	0.33000	0.35928	0.00000	0.00000	0.00000	12.28911
2018	11.50768	0.70489	0.33000	0.67000	0.00000	0.00000	0.00000	13.21257
2017	12.03852	1.02635	0.33000	0.67000	0.00000	0.00000	0.00000	14.06487
2016	12.27820	0.83318	0.33000	0.67000	0.00000	0.00000	0.00000	14.11138
2015	11.99626	1.27377	0.33000	0.67000	0.00000	0.00000	0.00000	14.27003
2014	12.29476	1.07859	0.33000	0.67000	0.00000	0.00000	0.00000	14.37335

Source: Iowa Department of Management

Historic Tax Rates

Presented below are the tax rates by taxing entity for residents of the City of Monticello:

Fiscal Year	City	School	College	State	Assessor	Ag Extens	Hospital	County	Total Levy
2019	13.86897	12.28911	1.20354	0.00290	0.52696	0.22818	0.00000	5.93291	34.05257
2018	13.86897	13.21257	1.13174	0.00310	0.55081	0.22488	0.00000	6.19253	35.18460
2017	13.86898	14.06487	1.08048	0.00330	0.51047	0.22391	0.00000	6.26137	36.01338
2016	13.86898	14.11138	1.06125	0.00330	0.66458	0.23452	0.00000	6.43416	36.37817
2015	13.86994	14.27003	1.05754	0.00330	0.44410	0.23127	0.00000	6.49116	36.36734
2014	13.94326	14.37335	1.06473	0.00330	0.45324	0.23532	0.00000	6.53171	36.60491

Source: Iowa Department of Management

Tax Collection History

Presented below are the actual ad-valorem tax levies and collections for the periods indicated:

Fiscal Year	Amount Levied	Amount Collected	Percentage Collected
2019	4,454,257	In Collection	NA
2018	4,722,718	4,721,963	99.98%
2017	4,900,463	4,899,143	99.97%
2016	4,629,819	4,738,996	102.36%
2015	4,510,400	4,554,247	100.97%
2014	4,366,680	4,366,430	99.99%
2013	3,969,469	3,973,245	100.10%

Source: Monticello CSD

Largest Taxpayers

Set forth in the following table are the persons or entities which represent the 2017 largest taxpayers within the Issuer, as provided by the Auditors Offices of each of said counties. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District's tax levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the tax levies of the other taxing entities which overlap the properties.

<u>Taxpayer</u>	<u>2017 Taxable Valuation</u>	<u>Percent of Total</u>
Alliance Pipeline LP	\$9,613,512	2.51%
Innovative AG Services Co	5,234,301	1.37%
Interstate Power & Light Co	4,411,197	1.15%
Kinder Morgan Cochin LLC	3,901,482	1.02%
Qwest Corporation (Century Link)	3,392,124	0.89%
Greif, William J & Camela C	3,297,866	0.86%
Monticello Nursing Home Co	3,251,265	0.85%
Frontier Warehousing LLC	2,450,979	0.64%
Robertson-Ceco Corporation	1,898,361	0.50%
Zumbach, Garry L Trust 1/2 Zumbach, Carla J Trust 1/2	1,521,801	0.40%
	Total	10.17%

Source: County Auditor Office

(1) Utility Property Tax Replacement

Beginning in 1999, the State replaced its previous property tax assessment procedure in valuing the property of entities involved primarily in the production, delivery, service and sale of electricity and natural gas with a replacement tax formula based upon the delivery of energy by these entities. Electric and natural gas utilities now pay replacement taxes to the State in lieu of property taxes. All replacement taxes are allocated among local taxing cities by the State Department of Revenue and Finance and the Department of Management. This allocation is made in accordance with a general allocation formula developed by the Department of Management on the basis of general property tax equivalents. Properties of these utilities are exempt from the levy of property tax by political subdivisions. Utility property will continue to be valued by a special method as provided in the statute and taxed at the rate of three cents per one thousand dollars for the general fund of the State.

The utility replacement tax statute states that the utility replacement tax collected by the State and allocated among local taxing cities (including the Issuer) shall be treated as property tax when received and shall be disposed of by the county treasurer as taxes on real estate. However, utility property is not subject to the levy of property tax by political subdivisions, only the utility replacement tax and statewide property tax. It is possible that the general obligation debt capacity of the Issuer could be adjudicated to be proportionately reduced in future years if utility property were determined to be other than "taxable property" for purposes of computing the Issuer's debt limit under Article XI of the Constitution of the State of Iowa. There can be no assurance that future legislation will not (i) operate to reduce the amount of debt the Issuer can issue or (ii) adversely affect the Issuer's ability to levy taxes in the future for the payment of the principal of and interest on its outstanding debt obligations, including the Bonds. Approximately 4.59% of the Issuer's tax base currently is utility property. Notwithstanding the foregoing, the Issuer has the obligation to levy taxes against all the taxable property in the Issuer sufficient to pay principal of and interest on the Bonds.

DIRECT DEBT

General Obligation School Bonds (Debt Service)

Presented below is the principal and interest on the District's outstanding general obligation bonds, presented by fiscal year and issue:

<u>Fiscal Year</u>	<u>2018 GO</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total P&I</u>
2019	0	0	0	0
2020	200,000	200,000	442,690	642,690
2021	200,000	200,000	308,987	508,987
2022	200,000	200,000	305,187	505,187
2023	200,000	200,000	301,087	501,087
2024	200,000	200,000	296,687	496,687
2025	500,000	500,000	291,987	791,987
2026	515,000	515,000	279,487	794,487
2027	530,000	530,000	265,840	795,840
2028	550,000	550,000	251,000	801,000
2029	575,000	575,000	235,325	810,325
2030	595,000	595,000	218,362	813,362
2031	620,000	620,000	199,917	819,917
2032	645,000	645,000	179,563	824,563
2033	670,000	670,000	157,833	827,833
2034	700,000	700,000	134,959	834,959
2035	730,000	730,000	110,788	840,788
2036	760,000	760,000	85,325	845,325
2037	790,000	790,000	58,345	848,345
2038	820,000	820,000	29,905	849,905
2039	0	0	0	0
Totals:	10,000,000	10,000,000	4,153,276	14,153,276

Source: Monticello CSD

Note: The District's plans to issue an additional \$5,000,000 of General Obligation Bonds around May 1, 2019

General Obligation School Capital Loan Notes (PPEL)

The Issuer does not have any outstanding General Obligation School Capital Loan Notes.

Anticipatory Warrants

The Issuer has not issued anticipatory warrants during the past five years.

School Infrastructure Sales, Services & Use Tax Revenue Bonds

The Issuer does not have any outstanding School Infrastructure Sales, Services & Use Tax Revenue Bonds.

Debt Limit

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by the constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last County Tax list. The District's debt limit, based upon said valuation, amounts to the following:

1/1/2017 actual Valuation:	663,613,868
X	0.05
<hr/>	
Statutory Debt Limit:	33,180,693
Total General Obligation Debt:	10,000,000
Total Lease Purchases:	
Total Loan Agreements:	
Capital Leases:	
<hr/>	
Total Debt Subject to Limit:	10,000,000
Percentage of Debt Limit Obligated:	30.14%

* Preliminary, subject to change
Source: Iowa Department of Management

Overlapping & Underlying Debt

Presented below is a listing of the overlapping and underlying debt outstanding of Issuers within the Issuer.

<u>Taxing Authority</u>	<u>Outstanding Debt</u>	<u>2017 Taxable Valuation</u>	<u>Taxable Value Within Issuer</u>	<u>Percentage Applicable</u>	<u>Amount Applicable</u>
City of Monticello	\$3,475,000	14,613,903	\$14,613,903	100.00%	\$3,475,000
Delaware County	2,301,322	1,253,013,422	13,052,829	1.04%	23,973
Dubuque County	\$9,125,000	5,253,255,751	634,821	0.01%	1,103
Jones County	0	1,088,236,357	361,777,220	33.24%	0
Linn County	23,980,000	11,690,602,869	7,714,421	0.07%	15,824
Kirkwood Community College	156,687,559	26,397,353,063	383,179,291	1.45%	2,274,449
Grant Wood Area Education Agency	0	26,397,353,063	383,179,291	1.45%	0
Total Overlapping & Underlying Debt:					5,790,349

Source: Iowa Department of Management

Financial Summary

Actual Value of Property, 2017:	\$663,613,868
Taxable Value of Property, 2017:	383,179,291
Direct General Obligation Debt:	\$10,000,000
Overlapping Debt:	5,790,349
<hr/>	
Direct & Overlapping General Obligation Debt:	\$15,790,349
Population, 2010 US Census:	6,519
Direct Debt per Capita:	\$1,533.98
Total Debt per Capita:	\$2,422.20
Direct Debt to Taxable Valuation:	2.61%
Total Debt to Taxable Valuation:	4.12%
Direct Debt to Actual Valuation:	1.51%
Total Debt to Actual Valuation:	2.38%
Actual Valuation per Capita:	\$101,797
Taxable Valuation per Capita:	\$58,779

Source: Iowa Department of Management

APPENDIX B – FORM OF LEGAL OPINION

FORM OF BOND COUNSEL OPINION*

[Closing Date]

Monticello Community School District
Monticello, Iowa

[Underwriter]

We hereby certify that we have examined a certified copy of proceedings (the “Proceedings”) of the Board of Directors of Monticello Community School District (the “Issuer”), in Jones, Delaware, Linn and Dubuque Counties, State of Iowa, passed preliminary to the issue by the Issuer of its \$_____ General Obligation School Bonds, Series 2018 (the “Bonds”), dated the date of delivery. The Bonds bear interest at the rates and are payable on the dates and in the amounts as set forth therein.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the “Code”); it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations for taxable years beginning before January 1, 2018, such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
5. Interest on the Bonds is not exempt from State of Iowa income taxes.
6. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds be, or continue to be, qualified tax-exempt obligations. The Issuer has covenanted to comply with each such requirement.

We express no opinion regarding other state or federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion may be relied upon by the addressees hereof and their successors and/or assigns, and any permitted assignee of the Bonds, but only with respect to the opinions expressly set forth herein and as of the dated date hereof.

DORSEY & WHITNEY LLP

*This form of bond counsel opinion is subject to change pending the results of the sale of the Bonds contemplated herein.

APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Monticello Community School District (the “Issuer”) on December 20, 2018 (the “Dated Date”), in connection with the issuance of the Issuer’s \$_____ General Obligation School Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer approved on December 12, 2018 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Dissemination Agent, if any, designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system available at <http://emma.msrb.org>.

“Holders” shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Municipal Securities Rulemaking Board” or “MSRB” shall mean the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

(a) Not later than April 15 (the “Submission Deadline”) of each year following the end of the 2017-2018 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file on EMMA an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate in a format and accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the changed fiscal year.

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the Submission Deadline, the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by State law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA when they become available.

(b) Tables, schedules or other information contained in the official statement for the Bonds under the following captions:

- (1) GASB45;
- (2) Employee Pension Plan – Table 1 and second paragraph under Net Pension Liabilities;
- (3) Investment of Public Funds (as of Fiscal Year end);
- (4) Population;
- (5) Property Valuations;
- (6) Tax Rates;
- (7) Historic Tax Rates;
- (8) Tax Collection History;
- (9) Largest Taxpayers;
- (10) DIRECT DEBT (including tables General Obligation School Bonds (Debt Service), General Obligation School Capital Loan Notes (PPEL), Anticipatory Warrants; School Infrastructure Sales, Services & Use Tax Revenue Bonds;
- (11) Debt Limit; and
- (12) Financial Summary.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note to paragraph (12): For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) If a Listed Event described in Section 5(a) paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13) or (14) has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(c) If a Listed Event described in Section 5(a) paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11) or (12) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section (5)(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or Annual Report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Piper Jaffray & Co.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (ii) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver either (1) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the Holders, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(b) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties

as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: the Dated Date

MONTICELLO COMMUNITY SCHOOL DISTRICT

By _____
President, Board of Directors

Attest:

Board Secretary

APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER

This Appendix contains the entire 2017 audited financial statement of the issuer. The Auditor of State of the State of Iowa (the "State Auditor") maintains a webpage that contains prior years' audits of city, county, school district and community college, including audits of the Issuer, which can be found at the following link <http://auditor.iowa.gov/reports/index.html>.

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MONTICELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Monticello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Angie Beitz	President	2017
Peg Mere	Vice President	2017
Bud Johnson	Board Member	2017
David Melchert	Board Member	2019
John Schlarmann	Board Member	2019
School Officials		
Brian Jaeger	Superintendent	2017
Judy Hayen	District Secretary	2017
Marcy Gillmore	Business Manager/Board Treasurer	2017
Gruhn Law Firm	Attorney	2017
Lynch Dallas Law Firm	Attorney	2017
Ahlers & Cooney P.C.	Attorney	2017
Strittmatter Law Firm	Attorney	2017

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of 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, 2017, and the related Notes to 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, 2017, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 15 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, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 May 7, 2018 on our consideration so Monticello Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Monticello Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 7, 2018
Newton, Iowa



ONTICELLO COMMUNITY SCHOOL DISTRICT

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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,578,954 in fiscal year 2016 to \$12,919,361 in fiscal year 2017 and General Fund expenditures increased from \$11,694,799 in fiscal year 2016 to \$12,297,237 in fiscal year 2017. This resulted in an increase in the District's General Fund balance from \$2,186,514 at June 30, 2016 to \$2,808,638 at June 30, 2017, a 28.45% increase from the prior year.
- The General Fund increase in revenues was mainly due to increases in local tax and state revenues received during the year. The increase in expenditures was due primarily to an increase in instructional expenditures incurred as compared to the previous year.
- The District's total net position increased from \$8,854,340 at June 30, 2016 to \$10,263,496 at June 30, 2017. Total revenues increased from \$15,223,576 in fiscal year 2016 to \$15,827,344 in fiscal year 2017, a 3.97% increase, while total expenses increased from \$13,224,570 in fiscal year 2016 to \$14,418,188 in fiscal year 2017, a 9.03% increase compared to the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

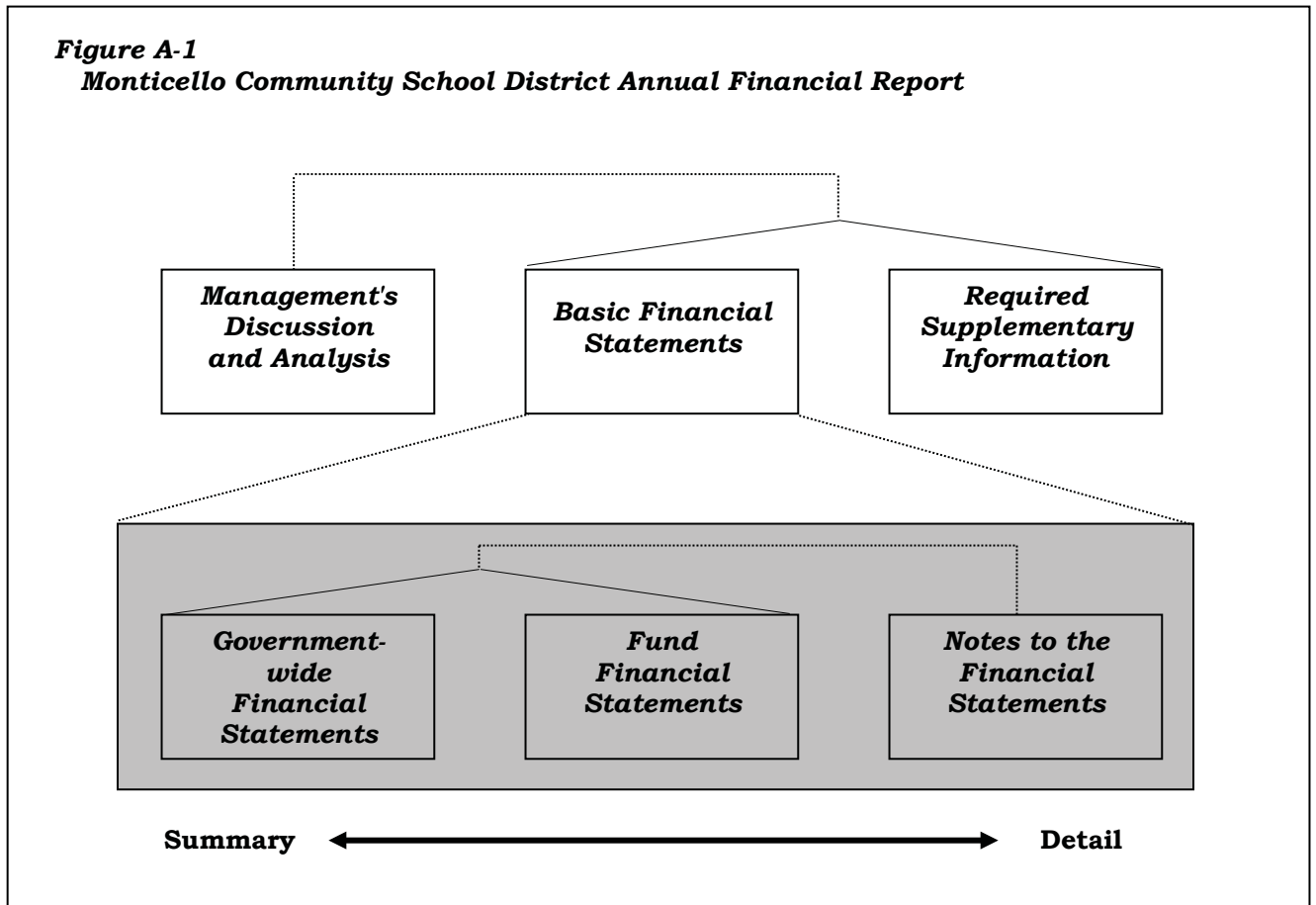


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<i>Figure A-2</i>				
<i>Major Features of the Government-Wide and Fund Financial Statements</i>				
	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, the Special Revenue Funds, the Debt Service Fund and the 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, 2017 compared to June 30, 2016.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 13,959,887	12,388,332	313,242	337,993	14,273,129	12,726,325	12.15%
Capital assets	7,180,736	7,249,703	46,496	50,317	7,227,232	7,300,020	-1.00%
Total assets	21,140,623	19,638,035	359,738	388,310	21,500,361	20,026,345	7.36%
Deferred outflows of resources	1,714,510	809,528	74,565	32,552	1,789,075	842,080	112.46%
Long-term liabilities	6,472,512	5,156,695	253,277	200,002	6,725,789	5,356,697	25.56%
Other liabilities	1,417,011	1,263,618	48,106	31,388	1,465,117	1,295,006	13.14%
Total liabilities	7,889,523	6,420,313	301,383	231,390	8,190,906	6,651,703	23.14%
Deferred inflows of resources	4,830,713	5,344,291	4,321	18,091	4,835,034	5,362,382	-9.83%
Net position:							
Net investment in capital assets	7,180,736	7,249,703	46,496	50,317	7,227,232	7,300,020	-1.00%
Restricted	5,020,905	3,955,457	-	-	5,020,905	3,955,457	26.94%
Unrestricted	(2,066,744)	(2,522,201)	82,103	121,064	(1,984,641)	(2,401,137)	17.35%
Total net position	\$ 10,134,897	8,682,959	128,599	171,381	10,263,496	8,854,340	15.91%

The District's total net position increased by \$1,409,156 or 15.91%, 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).

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 \$1,065,448 or 26.94% from the prior year. The increase in restricted net position was mainly due to the increase in amount restricted for school infrastructure purposes as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased by \$416,496

or 17.35%, from the prior year. The increase in unrestricted net position was a primarily a result of the increase in the unassigned fund balance of the General Fund.

The District's governmental activities remain at deficit unrestricted net positions at June 30, 2017, due to GASB Statement No. 68 pension and related deferred outflow and inflow reporting requirements.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 1,240,331	1,329,916	455,900	444,229	1,696,231	1,774,145	-4.39%
Operating grants, contributions and restricted interest	1,257,390	1,131,876	260,183	226,154	1,517,573	1,358,030	11.75%
General revenues:							
Property tax	4,905,882	4,743,465	-	-	4,905,882	4,743,465	3.42%
Income surtax	292,717	196,965	-	-	292,717	196,965	48.61%
Statewide sales, services and use tax	1,004,586	981,779	-	-	1,004,586	981,779	2.32%
Unrestricted state grants	6,202,048	5,981,144	-	-	6,202,048	5,981,144	3.69%
Unrestricted investment earnings	73,464	90,175	4,029	4,974	77,493	95,149	-18.56%
Other	120,794	86,380	10,020	6,519	130,814	92,899	40.81%
Total revenues	15,097,212	14,541,700	730,132	681,876	15,827,344	15,223,576	3.97%
Program expenses:							
Instruction	8,768,763	8,023,930	58,687	87	8,827,450	8,024,017	10.01%
Support services	4,178,493	3,821,772	5,475	8,804	4,183,968	3,830,576	9.23%
Non-instructional programs	-	-	711,302	676,402	711,302	676,402	5.16%
Other expenses	695,468	693,575	-	-	695,468	693,575	0.27%
Total expenses	13,642,724	12,539,277	775,464	685,293	14,418,188	13,224,570	9.03%
Excess of revenues over expenses	1,454,488	2,002,423	(45,332)	(3,417)	1,409,156	1,999,006	-5.06%
Transfers	(2,550)	-	2,550	-	-	-	0.00%
Change in net position	1,451,938	2,002,423	(42,782)	(3,417)	1,409,156	1,999,006	-5.06%
Net position beginning of year	8,682,959	6,680,536	171,381	174,798	8,854,340	6,855,334	29.16%
Net position end of year	\$ 10,134,897	8,682,959	128,599	171,381	10,263,496	8,854,340	15.91%

In fiscal year 2017, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 82.17% of the revenue from governmental activities while charges for service and sales and operating grants, contributions and restricted interest accounted for 98.08% of the revenue from business type activities.

The District's total revenues were approximately \$15.83 million, of which approximately \$15.10 million was for governmental activities and approximately \$0.73 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 9.03% increase in expenses. The primary reason for the increase in revenues was an increase in unrestricted state grant revenues received when compared to the prior year, and the increase in expenses was due to increases in instruction and support services expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$15,097,212 and expenses were \$13,642,724 for the year ended June 30, 2017.

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, 2017 compared to those expenses for the year ended June 30, 2016.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 8,768,763	8,023,930	9.28%	6,936,669	6,159,535	12.62%
Support services	4,178,493	3,821,772	9.33%	3,965,527	3,667,605	8.12%
Other expenses	695,468	693,575	0.27%	242,807	250,345	-3.01%
Totals	\$ 13,642,724	12,539,277	8.80%	11,145,003	10,077,485	10.59%

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$1,240,331.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$1,257,390.
- The net cost of governmental activities was financed with \$4,905,882 in property tax, \$292,717 in income surtax, \$1,004,586 in statewide sales, services and use tax, \$6,202,048 in unrestricted state grants, \$73,464 in interest income and \$120,794 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities for the year ended June 30, 2017 were \$730,132 and expenses were \$775,464. 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 \$7,531,135, above last year’s ending combined fund balances of \$5,941,649. This increase in combined fund balances primarily due to an increase in ending fund balance of the General Fund 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 increases in local tax and state revenues received over the prior year. The increase in expenditures can be attributable to an increase in expenditures incurred the instruction 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 \$2,186,514 at June 30, 2016 to \$2,808,638 at June 30, 2017.
- The Capital Projects Fund balance increased from \$2,847,703 at June 30, 2016 to \$3,602,197 at June 30, 2017. Total revenues and expenditures remained relatively unchanged from the prior year. For the second straight year revenues continued to outpace expenditures ensuring and increase in ending fund balance.

Proprietary Funds Highlights

The School Nutrition Fund net position increased from a deficit \$51,626 at June 30, 2016 to a deficit \$33,085 at June 30, 2017, representing an increase of 35.91%. Increases in both federal revenues and charges for service revenue received contributed to the increase in ending net position.

The Panther Academy Daycare Fund net position decreased from a deficit \$33,845 at June 30, 2016 to a deficit \$53,238 at June 30, 2017, representing a decrease of 57.30%. Increase in salaries and benefits expense incurred during the year was the primary reason for the decrease in ending net position.

The Preschool Fund net position decreased from \$245,560 at June 30, 2016 to \$202,923 at June 30, 2017, representing a decrease of 17.36%. The decrease in net position is primarily due to an increase in expense incurred as compared to the previous year.

The Resale Activity Fund net position increased from \$11,292 at June 30, 2016 to \$11,999 at June 30, 2017, representing an increase of 6.26%. Revenues and expenses were relatively unchanged from the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$431,890 more than budgeted revenues, a variance of 2.81%. The most significant variance resulted from the District receiving more in federal source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

In spite of the District's budgetary practice, expenditures in the instruction expenditures function exceeded the amounts budgeted for fiscal year 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$7,227,232, 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) This represents a decrease of 1.00% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$414,329.

The original cost of the District’s capital assets was \$15,463,362. Governmental activities accounted for \$15,156,499 with the remainder of \$306,863 accounted for in the District’s business type activities.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District’s machinery and equipment, net of accumulated depreciation totaled \$903,091 at June 30, 2017 compared to \$784,009 at June 30, 2016. The reason for the increase in machinery and equipment was mainly due to the purchased of two buses during the year.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 200,900	200,900	-	-	200,900	200,900	0.00%
Buildings	5,901,797	6,068,198	-	-	5,901,797	6,068,198	-2.74%
Land improvements	221,444	246,913	-	-	221,444	246,913	-10.31%
Machinery and equipment	856,595	733,692	46,496	50,317	903,091	784,009	15.19%
Total	\$ 7,180,736	7,249,703	46,496	50,317	7,227,232	7,300,020	-1.00%

Long-Term Debt

The Monticello Community School District did not have any outstanding debt as of June 30, 2017.

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. Beginning in fiscal year 2018, the District is changing to a partially self-funded plan to help control the cost of premiums.
- With the changes made to Chapter 20, the District will have more options for controlling expenses when it comes to employee benefits.
- 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, deteriorating buildings and outdated curriculum and equipment. 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/Board Treasurer, Monticello Community School District, 711 South Maple Street, Monticello, Iowa, 52310.



ONTICELLO COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,369,477	275,753	8,645,230
Receivables:			
Property tax:			
Delinquent	47,687	-	47,687
Succeeding year	4,722,718	-	4,722,718
Income surtax	289,023	-	289,023
Accounts	3,484	2,606	6,090
Prepaid expenses	70,489	-	70,489
Due from other funds	11,000	-	11,000
Due from other governments	446,009	22,214	468,223
Inventories	-	12,669	12,669
Capital assets not being depreciated:			
Land	200,900	-	200,900
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	6,979,836	46,496	7,026,332
TOTAL ASSETS	21,140,623	359,738	21,500,361
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,714,510	74,565	1,789,075
LIABILITIES			
Due to other funds	-	11,000	11,000
Accounts payable	343,541	2,826	346,367
Salaries and benefits payable	1,070,429	24,597	1,095,026
Advances from grantors	3,041	-	3,041
Unearned revenue	-	9,683	9,683
Long-term liabilities:			
Portion due within one year:			
Termination benefits	10,758	-	10,758
Portion due after one year:			
Termination benefits	10,757	-	10,757
Net pension liability	6,043,498	240,501	6,283,999
Net OPEB liability	407,499	12,776	420,275
TOTAL LIABILITIES	7,889,523	301,383	8,190,906
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	4,722,718	-	4,722,718
Pension related deferred inflows	107,995	4,321	112,316
TOTAL DEFERRED INFLOWS OF RESOURCES	4,830,713	4,321	4,835,034
NET POSITION			
Net investment in capital assets	7,180,736	46,496	7,227,232
Restricted for:			
Categorical funding	319,923	-	319,923
Debt service	88,918	-	88,918
Management levy purposes	872,335	-	872,335
Student activities	137,532	-	137,532
School infrastructure	3,119,862	-	3,119,862
Physical plant and equipment	482,335	-	482,335
Unrestricted	(2,066,744)	82,103	(1,984,641)
TOTAL NET POSITION	\$ 10,134,897	128,599	10,263,496

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 5,534,374	591,099	56,616	(4,886,659)	-	(4,886,659)
Special	1,820,440	269,152	213,128	(1,338,160)	-	(1,338,160)
Other	1,413,949	346,273	355,826	(711,850)	-	(711,850)
	<u>8,768,763</u>	<u>1,206,524</u>	<u>625,570</u>	<u>(6,936,669)</u>	<u>-</u>	<u>(6,936,669)</u>
Support services:						
Student	647,323	-	131,661	(515,662)	-	(515,662)
Instructional	557,425	9,385	31,562	(516,478)	-	(516,478)
Administration	1,389,186	-	-	(1,389,186)	-	(1,389,186)
Operation and maintenance of plant	1,106,143	-	-	(1,106,143)	-	(1,106,143)
Transportation	478,416	24,422	15,936	(438,058)	-	(438,058)
	<u>4,178,493</u>	<u>33,807</u>	<u>179,159</u>	<u>(3,965,527)</u>	<u>-</u>	<u>(3,965,527)</u>
Other expenditures:						
AEA flowthrough	452,661	-	452,661	-	-	-
Depreciation(unallocated)*	242,807	-	-	(242,807)	-	(242,807)
	<u>695,468</u>	<u>-</u>	<u>452,661</u>	<u>(242,807)</u>	<u>-</u>	<u>(242,807)</u>
Total governmental activities	<u>13,642,724</u>	<u>1,240,331</u>	<u>1,257,390</u>	<u>(11,145,003)</u>	<u>-</u>	<u>(11,145,003)</u>
Business type activities:						
Instruction:						
Other	58,687	-	-	-	(58,687)	(58,687)
Support services:						
Administration	812	-	-	-	(812)	(812)
Operation and maintenance of plant	4,348	-	-	-	(4,348)	(4,348)
Transportation	315	-	-	-	(315)	(315)
	<u>5,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,475)</u>	<u>(5,475)</u>
Non-instructional programs:						
Food service operations	600,653	353,331	260,183	-	12,861	12,861
Other enterprise operations	53	-	-	-	(53)	(53)
Community service operations	110,596	102,569	-	-	(8,027)	(8,027)
	<u>711,302</u>	<u>455,900</u>	<u>260,183</u>	<u>-</u>	<u>4,781</u>	<u>4,781</u>
Total business type activities	<u>775,464</u>	<u>455,900</u>	<u>260,183</u>	<u>-</u>	<u>(59,381)</u>	<u>(59,381)</u>
Total	\$ <u>14,418,188</u>	<u>1,696,231</u>	<u>1,517,573</u>	<u>(11,145,003)</u>	<u>(59,381)</u>	<u>(11,204,384)</u>
General Revenues and transfers:						
Property tax levied for:						
General purposes				\$ 4,537,915	-	4,537,915
Capital outlay				367,967	-	367,967
Income surtax				292,717	-	292,717
Statewide sales, services and use tax				1,004,586	-	1,004,586
Unrestricted state grants				6,202,048	-	6,202,048
Unrestricted investment earnings				73,464	4,029	77,493
Other				120,794	10,020	130,814
Transfers				(2,550)	2,550	-
Total general revenues and transfers				<u>12,596,941</u>	<u>16,599</u>	<u>12,613,540</u>
Change in net position				1,451,938	(42,782)	1,409,156
Net position beginning of year				8,682,959	171,381	8,854,340
Net position end of year				\$ <u>10,134,897</u>	<u>128,599</u>	<u>10,263,496</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, 2017

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 3,665,559	3,580,352	1,123,566	8,369,477
Receivables:				
Property tax:				
Delinquent	40,659	3,573	3,455	47,687
Succeeding year	4,095,868	376,851	249,999	4,722,718
Income surtax	289,023	-	-	289,023
Accounts	2,150	-	1,334	3,484
Prepaid expenses	70,489	-	-	70,489
Due from other funds	11,000	-	-	11,000
Due from other governments	362,408	83,601	-	446,009
TOTAL ASSETS	\$ 8,537,156	4,044,377	1,378,354	13,959,887
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 270,157	65,329	8,055	343,541
Salaries and benefits payable	1,070,429	-	-	1,070,429
Advances from grantors	3,041	-	-	3,041
Total liabilities	<u>1,343,627</u>	<u>65,329</u>	<u>8,055</u>	<u>1,417,011</u>
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	4,095,868	376,851	249,999	4,722,718
Income surtax	289,023	-	-	289,023
Total deferred inflows of resources	<u>4,384,891</u>	<u>376,851</u>	<u>249,999</u>	<u>5,011,741</u>
Fund balances:				
Restricted for:				
Categorical funding	319,923	-	-	319,923
Debt service	-	-	88,918	88,918
Management levy purposes	-	-	893,850	893,850
Student activities	-	-	137,532	137,532
School infrastructure	-	3,119,862	-	3,119,862
Physical plant and equipment	-	482,335	-	482,335
Unassigned:				
General	2,488,715	-	-	2,488,715
Total fund balances	<u>2,808,638</u>	<u>3,602,197</u>	<u>1,120,300</u>	<u>7,531,135</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,537,156	4,044,377	1,378,354	13,959,887

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds(page 20)	\$	7,531,135
 <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.		7,180,736
Income surtax receivable are not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		289,023
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	\$ 1,714,510	
Deferred inflows of resources	<u>(107,995)</u>	1,606,515
Long-term liabilities, including termination benefits payable, other postemployment benefits payable and the net pension liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(6,472,512)</u>
Net position of governmental activities(page 18)	\$	<u><u>10,134,897</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, 2017

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,468,817	367,967	355,394	5,192,178
Tuition	790,296	-	-	790,296
Other	227,820	40,336	390,594	658,750
Intermediate sources	10,564	-	-	10,564
State sources	6,904,761	1,010,781	6,358	7,921,900
Federal sources	517,103	-	-	517,103
Total revenues	<u>12,919,361</u>	<u>1,419,084</u>	<u>752,346</u>	<u>15,090,791</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,122,429	-	10,767	5,133,196
Special	1,934,992	-	-	1,934,992
Other	1,077,846	-	367,157	1,445,003
	<u>8,135,267</u>	<u>-</u>	<u>377,924</u>	<u>8,513,191</u>
Support services:				
Student	586,529	-	-	586,529
Instructional staff	551,880	-	-	551,880
Administration	1,215,769	21,851	82,569	1,320,189
Operation and maintenance of plant	952,864	17,915	78,985	1,049,764
Transportation	402,267	173,318	-	575,585
	<u>3,709,309</u>	<u>213,084</u>	<u>161,554</u>	<u>4,083,947</u>
Capital outlay	-	451,506	-	451,506
Other expenditures:				
AEA flowthrough	452,661	-	-	452,661
Total expenditures	<u>12,297,237</u>	<u>664,590</u>	<u>539,478</u>	<u>13,501,305</u>
Change in fund balances	622,124	754,494	212,868	1,589,486
Fund balances beginning of year	<u>2,186,514</u>	<u>2,847,703</u>	<u>907,432</u>	<u>5,941,649</u>
Fund balances end of year	<u>\$ 2,808,638</u>	<u>3,602,197</u>	<u>1,120,300</u>	<u>7,531,135</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, 2017

Change in fund balances - total governmental funds(page 22) \$ 1,589,486

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 outlay expenditures, depreciation expense and loss on asset disposal in the current year are as follows:

Capital expenditures	\$ 338,250	
Depreciation expense	(405,408)	
Loss on asset disposal	(1,809)	(68,967)

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. 6,421

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 652,520

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	-	
Pension expense	(708,001)	
Termination benefits	10,758	
Other postemployment benefits	(30,279)	(727,522)

Change in net position of governmental activities(page 19) \$ 1,451,938

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds				
	School Nutrition	Panther Academy	Preschool	Resale Activity	Total
ASSETS					
Current assets:					
Cash and pooled investments	\$ 69,534	3,228	190,992	11,999	275,753
Accounts receivable	2,486	-	120	-	2,606
Due from other governments	22,214	-	-	-	22,214
Inventories	12,669	-	-	-	12,669
Total current assets	<u>106,903</u>	<u>3,228</u>	<u>191,112</u>	<u>11,999</u>	<u>313,242</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	38,792	-	7,704	-	46,496
TOTAL ASSETS	<u>145,695</u>	<u>3,228</u>	<u>198,816</u>	<u>11,999</u>	<u>359,738</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	53,420	17,038	4,107	-	74,565
LIABILITIES					
Current liabilities:					
Due to other funds	-	11,000	-	-	11,000
Accounts payable	2,714	112	-	-	2,826
Salaries and benefits payable	13,066	11,531	-	-	24,597
Unearned revenues	9,683	-	-	-	9,683
Total current liabilities	<u>25,463</u>	<u>22,643</u>	<u>-</u>	<u>-</u>	<u>48,106</u>
Noncurrent liabilities:					
Net pension liability	193,730	46,771	-	-	240,501
Net OPEB liability	9,582	3,194	-	-	12,776
Total noncurrent liabilities	<u>203,312</u>	<u>49,965</u>	<u>-</u>	<u>-</u>	<u>253,277</u>
TOTAL LIABILITIES	<u>228,775</u>	<u>72,608</u>	<u>-</u>	<u>-</u>	<u>301,383</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows	3,425	896	-	-	4,321
NET POSITION					
Net investment in capital assets	38,792	-	7,704	-	46,496
Unrestricted	(71,877)	(53,238)	195,219	11,999	82,103
TOTAL NET POSITION	<u>\$ (33,085)</u>	<u>(53,238)</u>	<u>202,923</u>	<u>11,999</u>	<u>128,599</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, 2017

	Enterprise Funds				Total
	School Nutrition	Panther Academy	Preschool	Resale Activity	
Operating revenues:					
Local sources:					
Charges for service	\$ 321,709	77,697	24,872	-	424,278
Shared contracts	31,622	-	-	-	31,622
Miscellaneous	4,117	5,143	-	760	10,020
Total operating revenue	<u>357,448</u>	<u>82,840</u>	<u>24,872</u>	<u>760</u>	<u>465,920</u>
Operating expenses:					
Instruction:					
Other:					
Salaries	-	-	46,402	-	46,402
Benefits	-	-	12,285	-	12,285
	<u>-</u>	<u>-</u>	<u>58,687</u>	<u>-</u>	<u>58,687</u>
Support services:					
Administration:					
Services	777	-	-	-	777
Other	-	35	-	-	35
Operation and maintenance of plant:					
Services	4,348	-	-	-	4,348
Transportation:					
Services	-	315	-	-	315
Total support services	<u>5,125</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>5,475</u>
Non-instructional programs:					
Food service operations:					
Salaries	242,644	-	-	-	242,644
Benefits	50,773	-	-	-	50,773
Services	1,552	-	-	-	1,552
Supplies	294,298	2,652	-	-	296,950
Depreciation	8,440	-	-	-	8,440
Other	294	-	-	-	294
	<u>598,001</u>	<u>2,652</u>	<u>-</u>	<u>-</u>	<u>600,653</u>
Other enterprise operations:					
Supplies	-	-	-	53	53
Community service operations:					
Salaries	-	72,266	-	-	72,266
Benefits	-	25,652	-	-	25,652
Supplies	-	1,320	10,836	-	12,156
Depreciation	-	-	481	-	481
Other	-	-	41	-	41
	<u>-</u>	<u>99,238</u>	<u>11,358</u>	<u>-</u>	<u>110,596</u>
Total non-instructional programs	<u>598,001</u>	<u>101,890</u>	<u>11,358</u>	<u>53</u>	<u>711,302</u>
Total operating expenses	<u>603,126</u>	<u>102,240</u>	<u>70,045</u>	<u>53</u>	<u>775,464</u>
Operating income(loss)	(245,678)	(19,400)	(45,173)	707	(309,544)
Non-operating revenues:					
State sources	4,227	-	-	-	4,227
Federal sources	255,956	-	-	-	255,956
Interest income	1,486	7	2,536	-	4,029
Total non-operating revenues	<u>261,669</u>	<u>7</u>	<u>2,536</u>	<u>-</u>	<u>264,212</u>
Change in net assets before other financing uses	15,991	(19,393)	(42,637)	707	(45,332)
Other financing sources:					
Contributed capital	2,550	-	-	-	2,550
Change in net position	18,541	(19,393)	(42,637)	707	(42,782)
Net position beginning of year	(51,626)	(33,845)	245,560	11,292	171,381
Net position end of year	<u>\$ (33,085)</u>	<u>(53,238)</u>	<u>202,923</u>	<u>11,999</u>	<u>128,599</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Enterprise Funds				Total
	School Nutrition	Panther Academy	Preschool	Resale Activity	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 317,660	-	-	-	317,660
Cash received from other operating activities	31,622	77,697	25,082	-	134,401
Cash received from miscellaneous	4,117	5,143	-	760	10,020
Cash payments to employees for services	(289,717)	(91,154)	(62,794)	-	(443,665)
Cash payments to suppliers for goods or services	(260,002)	(4,854)	(10,877)	(53)	(275,786)
Net cash provided by(used in) operating activities	(196,320)	(13,168)	(48,589)	707	(257,370)
Cash flows from non-capital financing activities:					
Borrowing from General Fund	-	11,000	-	-	11,000
State grants received	4,227	-	-	-	4,227
Federal grants received	207,907	-	-	-	207,907
Net cash provided by non-capital financing activities	212,134	11,000	-	-	223,134
Cash flows from capital and related financing activities:					
Purchase of capital assets	(2,550)	-	-	-	(2,550)
Cash flows from investing activities:					
Interest on investments	1,486	7	2,536	-	4,029
Net increase(decrease) in cash and pooled investments	14,750	(2,161)	(46,053)	707	(32,757)
Cash and pooled investments beginning of year	54,784	5,389	237,045	11,292	308,510
Cash and pooled investments end of year	\$ 69,534	3,228	190,992	11,999	275,753
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (245,678)	(19,400)	(45,173)	707	(309,544)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	43,235	-	-	-	43,235
Depreciation	8,440	-	481	-	8,921
Increase in inventories	(3,950)	-	-	-	(3,950)
Decrease in accounts receivable	1,546	-	285	-	1,831
Increase in due from other governments	(1,073)	-	-	-	(1,073)
Increase(Decrease) in accounts payable	1,982	(532)	-	-	1,450
Increase in salaries and benefits payable	2,239	6,626	-	-	8,865
Decrease in advances from student fees	-	-	(75)	-	(75)
Decrease in unearned revenue	(4,522)	-	-	-	(4,522)
Increase in net pension liability	40,728	11,598	-	-	52,326
Increase in deferred outflows of resources	(27,766)	(10,140)	(4,107)	-	(42,013)
Decrease in deferred inflows of resources	(12,213)	(1,557)	-	-	(13,770)
Increase in other postemployment benefits	712	237	-	-	949
Net cash provided by(used in) operating activities	\$ (196,320)	(13,168)	(48,589)	707	(257,370)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received \$43,235 of federal commodities.

During the year ended June 30, 2017, the Nutrition Fund received \$2,550 from the Capital Projects: Property, Plant & Equipment levy.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private Purpose Trust	Agency
	Scholarship Fund	
ASSETS		
Cash and pooled investments	\$ 20,753	20,450
Total assets	20,753	20,450
LIABILITIES		
Due to other groups	-	20,450
Total liabilities	-	20,450
NET POSITION		
Held in trust for scholarships	\$ 20,753	-

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship Fund</u>
Additions:	
Local sources:	
Interest income	\$ 168
Contributions	13,877
Total additions	<u>14,045</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>13,914</u>
Change in net position	131
Net position beginning of year	<u>20,622</u>
Net position end of year	<u>\$ 20,753</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 career and technical 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 the following 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 nonmajor 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 Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds includes 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 and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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 acquired after the July 1, 1980 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 year(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 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 as part of the District's business type activities in the School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

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. The net pension liability attributable to the governmental activities will be paid primarily from the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future years(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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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. During the year ended June 30, 2017, expenditures exceeded the amount budgeted in the instruction function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2017 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, 2017, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$607 pursuant to the Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on the withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise Fund: Panther Academy Fund	<u>\$ 11,000</u>

The Panther Academy Fund is repaying the General Fund for cash shortfalls in prior years.

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 32,273	-	10,758	21,515	10,758
Net pension liability	4,747,202	1,296,296	-	6,043,498	-
Net OPEB liability	377,220	47,467	17,188	407,499	-
Total	<u>\$ 5,156,695</u>	<u>1,343,763</u>	<u>27,946</u>	<u>6,472,512</u>	<u>10,758</u>
Business type activities:					
Net pension liability	\$ 188,175	52,326	-	240,501	-
Net OPEB liability	11,827	1,488	539	12,776	-
Total	<u>\$ 200,002</u>	<u>53,814</u>	<u>539</u>	<u>253,277</u>	<u>-</u>

Termination Benefits

During fiscal years 2015 and 2016, the District offered a voluntary early retirement plan for employees. 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, 2016. The application for early retirement was subject to approval by the Board of Education.

There were no early retirees under the fiscal year 2016 offering. Early retirement benefits for fiscal year 2015 retirees equaled 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, 2017, the District has obligations to three participants with a total liability of \$21,515. Actual early retirement expenditures for the year ended June 30, 2017 were \$10,758.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2017 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	11,387,260	35,558	-	11,422,818
Land improvements	1,168,902	15,379	-	1,184,281
Machinery and equipment	2,114,136	287,313	52,949	2,348,500
Total capital assets being depreciated	14,670,298	338,250	52,949	14,955,599
Less accumulated depreciation for:				
Buildings	5,319,062	201,959	-	5,521,021
Land improvements	921,989	40,848	-	962,837
Machinery and equipment	1,380,444	162,601	51,140	1,491,905
Total accumulated depreciation	7,621,495	405,408	51,140	7,975,763
Total capital assets being depreciated, net	7,048,803	(67,158)	1,809	6,979,836
Governmental activities capital assets, net	\$ 7,249,703	(67,158)	1,809	7,180,736
Business type activities:				
Machinery and equipment	\$ 301,763	5,100	-	306,863
Less accumulated depreciation	251,446	8,921	-	260,367
Business type activities capital assets, net	\$ 50,317	(3,821)	-	46,496

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 40,358
Special		6,796
Other		6,504
Support services:		
Student		4,065
Instructional staff		23,187
Administration		2,032
Operation and maintenance of plant		8,797
Transportation		70,862
		162,601
Unallocated depreciation		242,807
Total governmental activities depreciation expense		\$ 405,408
Business type activities:		
Food service operations		\$ 8,440
Community service operations		481
Total business type activities depreciation expense		\$ 8,921

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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% 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% 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2017, pursuant to the required rate, Regular members contributed 5.9% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$684,557.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$6,283,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's collective proportion was 0.099852% which was a decrease of 0.000045% from its proportion measured as of June 30, 2015,

For the year ended June 30, 2017, the District recognized pension expense of \$736,581. At June 30, 2017, 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	\$ 55,538	\$ 74,997
Changes of assumptions	95,874	-
Net difference between projected and actual earnings on IPERS' investments	895,271	-
Change in proportion and differences between District contributions and the District's proportionate share of contributions	57,835	37,319
District contributions subsequent to the measurement date	684,557	-
Total	\$ 1,789,075	\$ 112,316

\$684,557 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, 2018. 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,	Amount
2017	\$ 120,635
2018	120,635
2019	477,466
2020	274,738
2021	(1,272)
Total	<u>\$ 992,202</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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, IPERS' 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 IPERS' 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 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 10,166,660	\$ 6,283,999	\$ 3,006,982

IPERS 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 IPERS - At June 30, 2017, the District reported payables to IPERS of \$73,343 legally required District contributions and \$48,868 for legally required employee contributions withheld from employee wages which had not yet been 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 107 active and 8 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. 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, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 73,625
Interest on net OPEB obligation	9,726
Adjustment to annual required contribution	(34,396)
Annual OPEB cost	<u>48,955</u>
Contributions made	<u>(17,727)</u>
Increase in net OPEB obligation	31,228
Net OPEB obligation beginning of year	389,047
Net OPEB obligation end of year	<u><u>\$ 420,275</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, 2017.

For the year ended June 30, 2017 the District contributed \$17,727 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
2015	\$ 85,522	22.3%	\$ 357,464
2016	48,256	34.6%	389,047
2017	48,955	36.2%	420,275

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$0.451 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$0.451 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6.438 million and the ratio of the UAAL to covered payroll was 7.01%.

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, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Annuity Mortality Table Projected to 2015, 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, 2017 were \$1,016,841.

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 \$452,661 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's ending balances for categorical funding at June 30, 2017 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 9,076
Gifted and talented	4,089
Teacher leadership state aid	23,577
Four-year-old Preschool State Aid	142,541
Teacher Salary Supplement	61,686
Iowa Early Intervention Block Grant	22,652
Successful Progression for Early Readers	34,297
Professional Development	22,005
Total	<u>\$ 319,923</u>

Note 11. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Management Levy</u>	<u>Unassigned/Unrestricted</u>
Fund balance (Exhibit C)	\$ 893,850	2,488,715
Income surtax	-	289,023
Termination benefits	(21,515)	-
Pension related deferred outflows	-	1,714,510
Net pension liability	-	(6,043,498)
Pension related deferred inflows	-	(107,995)
Net OPEB liability	-	(407,499)
Net position (Exhibit A)	<u>\$ 872,335</u>	<u>(2,066,744)</u>

Note 12. Operating Leases

In December 2014, the District entered into an agreement 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, 2017. 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 13. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2017, District expenditures in the instruction expenditures function exceeded the amount budgeted.

Note 14. New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

Note 15. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Monticello	Urban Revitalization	\$ 60,603

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, this reimbursement amounted to \$26,345.

Note 16. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government’s other postemployment benefits.

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, 2017

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,641,224	469,949	7,111,173	7,169,369	7,169,369	(58,196)
Intermediate sources	10,564	-	10,564	-	-	10,564
State sources	7,921,900	4,227	7,926,127	7,975,279	7,975,279	(49,152)
Federal sources	517,103	255,956	773,059	244,385	244,385	528,674
Total revenues	15,090,791	730,132	15,820,923	15,389,033	15,389,033	431,890
Expenditures/Expenses:						
Instruction	8,513,191	58,687	8,571,878	8,515,000	8,515,000	(56,878)
Support services	4,083,947	5,475	4,089,422	4,643,100	4,643,100	553,678
Non-instructional programs	-	600,653	600,653	835,000	835,000	234,347
Other expenditures	904,167	110,649	1,014,816	1,301,636	1,301,636	286,820
Total expenditures/expenses	13,501,305	775,464	14,276,769	15,294,736	15,294,736	1,017,967
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,589,486	(45,332)	1,544,154	94,297	94,297	1,449,857
Other financing sources, net	-	2,550	2,550	-	-	2,550
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,589,486	(42,782)	1,546,704	94,297	94,297	1,452,407
Balances beginning of year	5,941,649	171,381	6,113,030	5,362,352	5,362,352	750,678
Balances end of year	\$ 7,531,135	128,599	7,659,734	5,456,649	5,456,649	2,203,085

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

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

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

During the year ended June 30, 2017, expenditures in the instruction expenditures function exceeded the amount budgeted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST THREE YEARS *
 REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
District's proportion of the net pension liability	0.099852%	0.099897%	0.101924%
District's proportionate share of the net pension liability	\$ 6,283,999	4,935,377	4,042,221
District's covered-employee payroll	\$ 7,073,130	6,845,521	6,672,542
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.84%	72.10%	60.58%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amount presented for each fiscal year were determined as of June 30 of the preceding year.

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
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 684,557	631,630	611,305	595,858	564,085	516,249	418,723	395,638	369,356	321,138
Contributions in relation to the statutorily required contribution	(684,557)	(631,630)	(611,305)	(595,858)	(564,085)	(516,249)	(418,723)	(395,638)	(369,356)	(321,138)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 7,665,816	7,073,130	6,845,521	6,672,542	6,506,171	6,397,138	6,024,791	5,949,444	5,816,630	5,308,066
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

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%
2016	July 1, 2015	-	458	458	0.0%	6,164	7.43%
2017	July 1, 2015	-	451	451	0.0%	6,438	7.01%

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.



ONTICELLO COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 890,395	144,253	1,034,648	88,918	1,123,566
Receivables:					
Property tax:					
Delinquent	3,455	-	3,455	-	3,455
Succeeding year	249,999	-	249,999	-	249,999
Accounts	-	1,334	1,334	-	1,334
TOTAL ASSETS	\$ 1,143,849	145,587	1,289,436	88,918	1,378,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	8,055	8,055	-	8,055
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	249,999	-	249,999	-	249,999
Fund balances:					
Restricted for:					
Debt service	-	-	-	88,918	88,918
Management levy purposes	893,850	-	893,850	-	893,850
Student activities	-	137,532	137,532	-	137,532
Total fund balances	893,850	137,532	1,031,382	88,918	1,120,300
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,143,849	145,587	1,289,436	88,918	1,378,354

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, 2017

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 355,394	-	355,394	-	355,394
Other	29,237	360,432	389,669	925	390,594
State sources	6,358	-	6,358	-	6,358
Total revenues	390,989	360,432	751,421	925	752,346
Expenditures:					
Current:					
Instruction:					
Regular	10,767	-	10,767	-	10,767
Other	-	367,157	367,157	-	367,157
Support services:					
Administration	82,548	21	82,569	-	82,569
Operation and maintenance of plant	78,985	-	78,985	-	78,985
Total expenditures	172,300	367,178	539,478	-	539,478
Change in fund balances	218,689	(6,746)	211,943	925	212,868
Fund balances beginning of year	675,161	144,278	819,439	87,993	907,432
Fund balances end of year	\$ 893,850	137,532	1,031,382	88,918	1,120,300

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 3,036,261	544,091	3,580,352
Receivables:			
Property tax:			
Delinquent	-	3,573	3,573
Succeeding year	-	376,851	376,851
Due from other governments	83,601	-	83,601
TOTAL ASSETS	\$ 3,119,862	924,515	4,044,377
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	65,329	65,329
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	-	376,851	376,851
Fund balances:			
Restricted for:			
School infrastructure	3,119,862	-	3,119,862
Physical plant and equipment	-	482,335	482,335
Total fund balances	3,119,862	482,335	3,602,197
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,119,862	924,515	4,044,377

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	367,967	367,967
Other	26,045	14,291	40,336
State sources	1,004,586	6,195	1,010,781
Total revenues	<u>1,030,631</u>	<u>388,453</u>	<u>1,419,084</u>
Expenditures:			
Support services:			
Administration	-	21,851	21,851
Operation and maintenance of plant	-	17,915	17,915
Transportation	-	173,318	173,318
Capital outlay	-	451,506	451,506
Total expenditures	<u>-</u>	<u>664,590</u>	<u>664,590</u>
Change in fund balances	1,030,631	(276,137)	754,494
Fund balances beginning of year	<u>2,089,231</u>	<u>758,472</u>	<u>2,847,703</u>
Fund balances end of year	<u>\$ 3,119,862</u>	<u>482,335</u>	<u>3,602,197</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2017

	Private Purpose Trust Fund - Scholarship Accounts				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 6,898	500	500	12,855	20,753
LIABILITIES					
	-	-	-	-	-
NET POSITION					
Held in trust for scholarships	\$ 6,898	500	500	12,855	20,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund - Scholarship Accounts				Total
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	
Additions:					
Local sources:					
Interest income	\$ 48	-	-	120	168
Contributions	5,500	500	500	7,377	13,877
Total additions	5,548	500	500	7,497	14,045
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	6,500	1,000	1,526	4,888	13,914
Change in net position	(952)	(500)	(1,026)	2,609	131
Net position beginning of year	7,850	1,000	1,526	10,246	20,622
Net position end of year	\$ 6,898	500	500	12,855	20,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 25,549	17,401	22,500	20,450
Accounts receivable	360	-	360	-
Total assets	\$ 25,909	17,401	22,860	20,450
LIABILITIES				
Accounts payable	\$ 187	-	187	-
Due to other groups	25,722	17,228	22,500	20,450
Total liabilities	\$ 25,909	17,228	22,687	20,450

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Interest	\$ -	46	46	-	-
ES Student Organization	3,971	2,600	5,319	-	1,252
JH Vocal	3,371	1,446	839	-	3,978
JH Instrumental	1,623	6,374	1,171	-	6,826
JH Student Organization	5,243	4,967	3,870	-	6,340
5th Grade	1,531	790	627	(1,531)	163
6th Grade	545	1,626	1,670	986	1,487
7th Grade	4,845	6,361	5,266	(4,301)	1,639
8th Grade	8,778	5,503	4,870	(3,932)	5,479
Middle School Concession	7,810	4,244	2,401	-	9,653
HS Vocal	9,971	5,200	6,045	-	9,126
HS Instrumental	2,775	11,299	9,913	-	4,161
HS Student Organization	12,786	2,862	4,477	-	11,171
HS Cross Country	786	7,323	7,719	-	390
HS Boys Basketball	409	15,410	13,243	-	2,576
HS Football	921	30,487	31,218	-	190
HS Baseball	7,335	4,674	9,625	-	2,384
HS Boys Track	-	2,071	2,071	-	-
HS Soccer	-	1,853	1,853	-	-
HS Boys Golf	38	678	677	-	39
HS Wrestling	2,867	7,553	10,273	-	147
HS Girls Basketball	354	7,110	7,101	-	363
HS Volleyball	636	8,589	7,828	-	1,397
HS Softball	1,964	11,535	8,971	-	4,528
HS Girls Track	71	4,641	4,660	-	52
HS Girls Golf	101	1,580	1,578	-	103
General Athletics	5,235	92,963	97,300	-	898
Cheerleader	8,273	7,388	7,617	-	8,044
Dance Team	573	8,474	6,009	-	3,038
Drama and Speech	20,696	23,350	28,280	-	15,766
HS Musical	7,584	5,623	6,062	-	7,145
Student Council	3,727	1,535	1,276	-	3,986
Yearbook	(2,474)	5,542	2,702	-	366
Montisports.org	41	-	-	-	41
Freshman	1,831	169	-	6,947	8,947
Sophomore	3,050	35	-	(1,219)	1,866
Junior	2,880	1,454	1,798	170	2,706
Senior	4,709	100	2,389	2,880	5,300
FFA	971	48,256	49,202	-	25
BPA	3,943	6,956	9,098	-	1,801
Coffee Club	2,277	514	301	-	2,490
International Club	510	10	-	-	520
Pawpcorn Club	1,721	1,241	1,813	-	1,149
Total	\$ 144,278	360,432	367,178	-	137,532

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 5,192,178	5,032,917	4,841,780	4,747,916	5,071,327	4,692,137	4,232,526	4,002,767	3,929,412	3,826,081
Tuition	790,296	842,428	840,959	936,638	862,701	854,711	759,880	755,670	659,293	526,242
Other	658,750	678,465	798,344	594,814	647,222	654,154	788,697	520,340	622,440	603,091
Intermediate sources	10,564	2,846	10,556	260	19,090	7,600	2,000	14,234	11,500	8,486
State sources	7,921,900	7,622,015	7,163,684	6,965,815	5,629,091	5,619,566	5,008,569	4,367,090	5,032,559	4,863,323
Federal sources	517,103	455,516	434,502	377,700	396,411	523,183	588,444	812,137	399,212	296,740
Total	\$ 15,090,791	14,634,187	14,089,825	13,623,143	12,625,842	12,351,351	11,380,116	10,472,238	10,654,416	10,123,963
Expenditures:										
Instruction:										
Regular	\$ 5,133,196	4,780,429	4,360,701	4,573,830	4,298,976	4,352,894	4,113,048	3,873,850	3,672,094	3,582,227
Special	1,934,992	1,884,703	1,893,626	1,994,076	1,725,566	1,710,317	1,613,873	1,412,349	1,490,630	1,262,905
Other	1,445,003	1,470,273	1,609,270	1,517,164	1,423,783	1,420,507	1,394,734	1,198,088	1,127,497	1,127,887
Support services:										
Student	586,529	512,063	426,833	412,487	499,787	510,134	560,368	527,586	454,886	390,509
Instructional	551,880	567,882	564,683	556,139	498,552	586,231	734,412	527,643	498,005	311,762
Administration	1,320,189	1,223,977	1,112,691	1,099,128	1,112,573	1,053,951	935,772	924,900	927,515	826,027
Operation and maintenance of plant	1,049,764	1,048,553	992,163	1,039,779	882,032	863,339	855,532	814,809	798,079	778,701
Transportation	575,585	443,623	625,984	605,655	561,552	547,196	578,752	504,206	577,643	447,587
Non-instructional programs	-	-	-	-	-	-	610	-	364	648
Capital outlay	451,506	348,722	280,192	144,107	201,484	133,248	221,992	106,831	208,877	172,991
Long-term debt:										
Principal	-	680,000	675,000	670,000	2,620,000	600,000	580,000	565,000	545,000	530,000
Interest and fiscal charges	-	5,920	9,295	12,343	97,347	120,198	140,157	157,303	177,242	192,823
Other expenditures:										
AEA flow-through	452,661	443,230	435,751	415,155	388,386	381,001	405,016	402,724	367,852	348,272
Total	\$ 13,501,305	13,409,375	12,986,189	13,039,863	14,310,038	12,279,016	12,134,266	11,015,289	10,845,684	9,972,339

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, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 7, 2018.

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 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, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-17 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-17 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 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. 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.

May 7, 2018
Newton, Iowa

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording or transaction are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes that accuracy of the District's financial statements.

Condition - We noted one individual has control over one or more of the following area for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement functions.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - preparing deposit slip and depositing; journalizing, recording, and reconciling.
- 4) Disbursements - purchase order processing, check preparation and approval, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 5) Payroll - recording sick leave and vacation days, writing payroll checks and posting to accounting system.
- 6) Financial reporting - preparing, reconciling and approving.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) Journal entries - writing, approving and posting.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregated duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, error, or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

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

Conclusion - Response accepted.

I-B-17 Grant Coding

Criteria - The District is responsible for recording and monitoring grant expenses as they are incurred. This ensures expenses coded to state and federal grants have been accurately coded and the corresponding expenses is proper from each particular grant.

Condition - We noted inappropriate expenses coded to the Teacher Salary Supplement funding sources that are not allowable.

Cause - District procedures have not been designed to adequately track and approve that coding grant expenses as they are incurred throughout the year.

Effect - The inappropriate classification of expenses gives the appearance that these grants may not be monitored throughout the year.

Recommendation - The District should determine who and what costs are appropriate prior to payments and operation of the grant. The individual(s) in charge of the grants should be communicating with the appropriate personnel in the accounting department and consistently monitoring financial reports to ensure yearly grant is spent on appropriate items as well as in the correct fiscal year.

Response - The District will monitor grant expenditures more intently to comply with allowable uses of these funds.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-17 Certified Budget - District expenditures for the year ended June 30, 2017, exceeded the amount budgeted in the instruction expenditures function.

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

Response - The District will monitor the published budget to comply with Iowa Code and amend the budget when necessary.

Conclusion - Response accepted.

II-B-17 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.

II-C-17 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-17 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Daniel Sauser, Teacher Father-in-law owns Welter Storage	Supplies	\$4,572
Diane Deppe-Haag, Associate Spouse manages Spahn & Rose Lumber	Supplies	\$15,192
Casey Reyner, Coach Brother owns Darrell's Restaurant	Services	\$65
Callie Kromminga-Smith, Teacher Father owns Kromminga Motors	Services/Parts	\$1,228
Amanda Hackney, Coach Owns Almost Famous Dance	Supplies	\$1,866
Tim Lambert, (AD/Sam/Teacher) Brother is part owner of Monticello Sports	Supplies	\$44,306
Cindy Savage, Teacher Father-in-law Agent of Insurance Associates Inc.	Insurance	\$155,384
Marsha Kraus, Cook Husband owns Advance Construction Inc.	Services	\$20,789
Sarah Kraus, Associate Ownes Hillside Bar and Grill	Services	\$2,037
Shelly Kraus, Associate Father in- law and Spouse own Kraus Plumming	Service	\$19,415
Erin Adams, Teacher Spouse owns Next Generation Plumbing and Heating	Supplies/Service	\$71
Kelly Luckstead, Teacher Spouse owns Hometown engraving	Supplies/Service	\$2,741
Bud Johnson, Board Member Ownes Mintex Citrus Ownes Eastern Iowa sports Facility	Services/Supplies Services/Supplies	\$28,315 \$500

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

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with the employee of the District do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the board member do not appear to represent a conflict of interest as these services were publicly bid by the District and the board member recused himself from the vote.

- II-E-17 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 ensure that the coverage is adequate for current operations.
- II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-17 Certified Enrollment – No variance in the basic enrollment data certified to the Iowa Department of Education.
- II-H-17 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-17 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-17 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-17 Categorical Funding – Except as noted, no instance were noted of categorical funding used to supplant rather than supplement other funds were noted. During our audit, we noted health insurance costs coded as expenses of the District’s Teacher Salary Supplement. Chapter 281-98.24(1) state in part “Appropriate use of the teacher salary supplement funding are limited to additional salary for teachers, including amounts necessary for the district to comply with statutory teacher salary minimums; the amount required to pay the employers’ share of the federal social security and Iowa public employees’ retirement system, or a pension and annuity retirement system (IPERS) established under Iowa Code chapter 294....” The health insurance costs coded to Teacher Salary Supplement does not meet the requirements as an appropriate expense for Teacher Salary Supplement in accordance with Chapter 281-98.24(1) of the Code of Iowa.

The following are the adjustments to the June 30, 2017 ending restricted balances for the District’s Teacher Salary Supplement program.

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Teacher Salary Supplement	\$ 60,288.00	\$ (1,398.24)	\$ 61,686.24

Recommendation - The District should review expenses coded to its categorical funding programs including its teacher salary supplement program to ensure they meet “appropriate use” as defined in Chapter 98 of the Iowa Administrative Code- Financial Management of Categorical Funding. The District should also contact the Iowa Department of Education regarding any additional action which may be required.

Response - The District will review categorical expenses to ensure they are appropriate uses of these funds. The District will contact the Iowa Department of Education for any additional action that may be required.

Conclusion - Response accepted.

II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provided in 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,089,231
Revenues/transfers in:		
Sales tax revenues	\$ 1,004,586	
Other local revenues	26,045	1,030,631
		<u>3,119,862</u>
Expenditures/transfers out:	<u>-</u>	<u>-</u>
Ending balance		<u>\$ 3,119,862</u>

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-17 Deficit Lunch Account Balances - We noted during the audit that the School Nutrition Fund is carrying multiple deficit student lunch account balances as of June 30, 2017, some of which appear to be excessive in amount.

Recommendation - The District should develop policies regarding the treatment of deficit student lunch account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate collection alternatives to attempt to bring deficit accounts back to a positive balance.

Response - The District has created a policy regarding negative lunch balances. The District will look into collection alternatives in attempt to bring the deficit accounts back to a positive balance.

Conclusion - Response accepted.

II-N-17 Checks Outstanding - We noted during our audit that the District had checks included in the District bank reconciliations that have been outstanding for over a year.

Recommendation - The District should determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 56.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District has turned over applicable claims to the State Treasurer as unclaimed property and will continue to do so annually.

Conclusion - Response accepted.