



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE March 30, 2005

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Auditor of State David A. Vaudt today released an audit report on the City of Monticello, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$6,987,715 for the year ended June 30, 2004. The receipts included \$1,017,658 in property tax, \$486,287 from tax increment financing, \$1,463,026 from charges for service, \$775,906 from operating grants, contributions and restricted interest, \$251,649 from capital grants, contributions and restricted interest, \$237,577 from local option sales tax, \$52,461 from unrestricted interest on investments, \$1,583,687 from bond proceeds and \$1,119,464 from other general receipts.

Disbursements for the year totaled \$6,064,287, and included \$2,182,544 for capital projects, \$897,445 for public safety and \$621,260 for debt service. Also, disbursements for business type activities totaled \$1,109,793.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF MONTICELLO

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

JUNE 30, 2004

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City of Monticello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Robert (Bud) Johnson	Mayor	Jan 2004
Dena Himes	Mayor Pro tem	Jan 2006
Nels Petersen	Council Member	Jan 2004
Larry Stoneking	Council Member	Jan 2004
Jerald Wilbricht	Council Member	Jan 2004
William Meyer	Council Member	Jan 2006
Tom Henry	Council Member	Jan 2006
(After January 2004)		
Thomas Yeoman	Mayor	Jan 2006
Dena Himes	Mayor Pro tem	Jan 2006
William Meyer	Council Member	Jan 2006
Tom Henry	Council Member	Jan 2006
Reenie Breyer	Council Member	Jan 2008
Dave Utter	Council Member	Jan 2008
Gerald Mulier	Council Member	Jan 2008
Jerald Wilbricht	Council Member	Resigned
Joshua A. Smith	City Administrator	Resigned
Timothy Rhode	City Administrator	Jan 2005
Sally Hinrichsen	City Clerk/Treasurer	Jan 2005
Cheryl Clark	Deputy City Clerk	Jan 2005
Douglas Herman	Attorney	Jan 2005

City of Monticello



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 the City of Monticello, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Monticello's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above do not include the financial activity of the Friends of Monticello Public Library, Inc., a component unit of the City of Monticello. Such financial activity should be reported in the governmental activities and the Special Revenue Funds of the City's primary government in order to be in conformity with U.S. generally accepted accounting principles. The amount of financial activity that should be reported is not known.

In our opinion, except for the effects of the omission of the financial activity of the component unit for the year ended June 30, 2004 on the governmental activities and the aggregate remaining fund information, as described above, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the aggregate remaining fund information at June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of the City of Monticello as of June 30, 2004 and the respective changes in cash basis financial position of the business type activities and each major fund for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 15, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

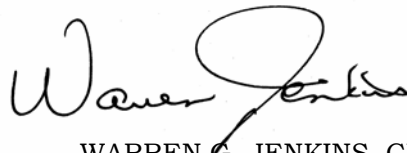
In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2004 on our consideration of the City of Monticello’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Monticello’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements for the omission of the financial activity of the Friends of Monticello Public Library, Inc. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 4, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Monticello 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 10%, or \$360,675, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$81,000, tax increment financing increased approximately \$142,000 and miscellaneous receipts increased \$368,327.
- Disbursements for the City's governmental activities increased 17%, or \$726,256, from fiscal 2003 to fiscal 2004. Capital projects disbursements increased \$996,353, while public safety and debt service disbursements decreased \$90,550 and \$167,705, respectively.
- The City's total cash basis net assets increased 19.8%, or \$923,428, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased \$717,210 and the assets of the business type activities increased \$206,218.

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 City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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 City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and solid waste removal. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

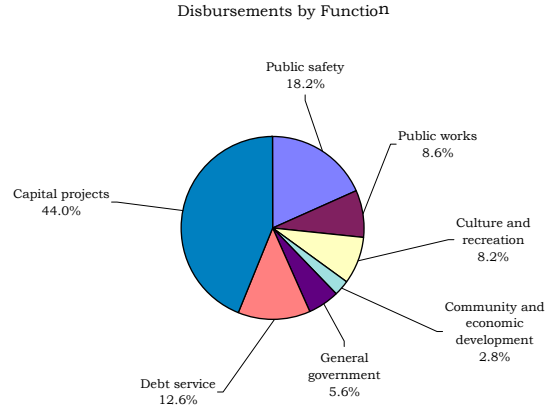
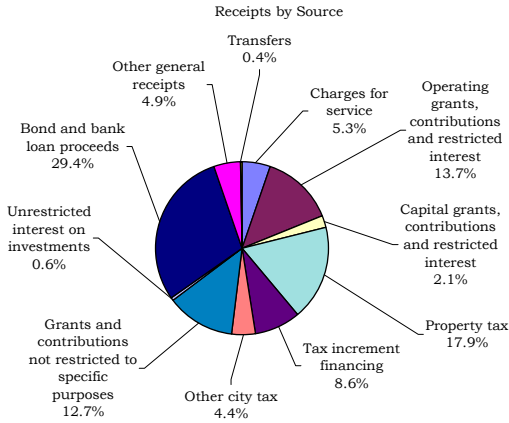
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, sanitation and local access channel operations.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

<u>Changes in Cash Basis Net Assets of Governmental Activities</u>	
	<u>Year ended June 30, 2004</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 300,638
Operating grants, contributions and restricted interest	775,906
Capital grants, contributions and restricted interest	116,321
General receipts:	
Property tax	1,017,658
Tax increment financing	486,287
Other city tax	251,160
Grants and contributions not restricted to specific purposes	718,548
Unrestricted interest on investments	35,186
Bond and bank loan proceeds	1,670,652
Other general receipts	278,205
Transfers	21,143
Total receipts and transfers	<u>5,671,704</u>
Disbursements:	
Public safety	897,445
Public works	424,924
Culture and recreation	407,367
Community and economic development	140,512
General government	280,442
Debt service	621,260
Capital projects	2,182,544
Total disbursements	<u>4,954,494</u>
Increase in cash basis net assets	717,210
Cash basis net assets beginning of year	<u>3,613,125</u>
Cash basis net assets end of year	<u>\$ 4,330,335</u>



The City's total receipts and transfers for governmental activities were \$5,671,704. The total cost of all programs and services was \$4,954,494. The \$717,210 difference in receipts and transfers over disbursements was due primarily to the Library Building Capital Campaign Fund since the fund raising campaign was in full swing during fiscal year 2004.

The cost of all governmental activities this year was \$4,954,494. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$3,761,629 because some of the cost was paid by those directly benefited from the programs (\$300,638) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$892,227).

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 323,717
Sewer	459,029
Sanitation	379,642
Capital grants, contributions and restricted interest	135,328
General receipts:	
Unrestricted interest on investments	17,275
Other general receipts	22,163
Total receipts	<u>1,337,154</u>
Disbursements and transfers:	
Water	321,993
Sewer	433,542
Sanitation	322,690
Local Access Channel	31,568
Transfers	21,143
Total disbursements and transfers	<u>1,130,936</u>
Increase in cash basis net assets	206,218
Cash basis net assets beginning of year	<u>1,039,480</u>
Cash basis net assets end of year	<u><u>\$ 1,245,698</u></u>

Total business type activities receipts for the fiscal year were \$1,337,154 compared to \$1,158,773 last year. Total disbursements for the fiscal year decreased by 40.6% to a total of \$1,109,793. The decrease in disbursements was due to water tower construction in the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$4,330,335, an increase of \$717,210 from last year’s total of \$3,613,125. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance of \$774,954 did not change significantly from the prior year.
- The Library Building Capital Campaign Fund cash balance of \$901,341 increased \$724,286 from the prior year balance of \$177,055 since the campaign was in full swing during fiscal 2004.
- The Debt Service Fund cash balance of \$89,546 did not change significantly from the prior year.
- The Capital Projects Fund cash balance of \$1,526,682 did not change significantly from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased insignificantly by \$30,154 to \$352,879.
- The Sewer Fund cash balance increased by \$171,437 to \$670,965, due primarily to a rate increase.
- The Sanitation Fund cash balance increased by \$58,164 to \$178,427 due to a rate increase.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 10, 2004. The amendment provided for additional disbursements for capital projects and certain City departments. The City issued general obligation bonds, received donations and had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$8,866,859 in outstanding bonds and other long-term debt, compared to \$7,749,176 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2004	2003
General obligation bonds	\$ 4,165,000	2,830,000
General obligation capital loan notes	1,145,000	1,285,000
Revenue notes	3,460,000	3,605,000
Bank loans	96,859	19,364
Lease purchase agreements	-	9,812
Total	\$ 8,866,859	7,749,176

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The

City's outstanding general obligation debt of \$5,406,859 is significantly below its constitutional debt limit of \$6.7 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Monticello's elected and appointed officials and department heads considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities.

Although property tax valuations increased, this is not expected to generate significant additional revenues. The City expects lower revenues from the state but expects to receive several grants, including a Vision Iowa grant. Budgeted expenditures are expected to increase. The estimated project cost for the Library, City Hall and Community Center is \$2.9 million. The City has issued general obligation debt to finance street reconstruction and sewer improvements in 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy Rhode, City Administrator, 200 E. 1st Street, Monticello, Iowa, 52310 or Timothy@ci.monticello.ia.us.

Basic Financial Statements

City of Monticello

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 897,445	185,714	70,572	-
Public works	424,924	-	310,161	-
Culture and recreation	407,367	108,600	27,727	-
Community and economic development	140,512	-	112,964	-
General government	280,442	6,324	-	-
Debt service	621,260	-	716	-
Capital projects	2,182,544	-	253,766	116,321
Total governmental activities	4,954,494	300,638	775,906	116,321
Business type activities:				
Water	321,993	323,717	-	-
Sewer	433,542	459,029	-	135,328
Sanitation	322,690	379,642	-	-
Local Access Channel	31,568	-	-	-
Total business type activities	1,109,793	1,162,388	-	135,328
Total	\$ 6,064,287	1,463,026	775,906	251,649
General and other City Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Hotel/motel tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds				
Bank loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Permanent				
Capital Projects				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(641,159)	-	(641,159)
(114,763)	-	(114,763)
(271,040)	-	(271,040)
(27,548)	-	(27,548)
(274,118)	-	(274,118)
(620,544)	-	(620,544)
(1,812,457)	-	(1,812,457)
(3,761,629)	-	(3,761,629)
-	1,724	1,724
-	160,815	160,815
-	56,952	56,952
-	(31,568)	(31,568)
-	187,923	187,923
(3,761,629)	187,923	(3,573,706)
805,647	-	805,647
486,288	-	486,288
212,011	-	212,011
237,577	-	237,577
13,583	-	13,583
718,547	-	718,547
35,186	17,275	52,461
1,583,687	-	1,583,687
86,965	-	86,965
278,205	22,163	300,368
21,143	(21,143)	-
4,478,839	18,295	4,497,134
717,210	206,218	923,428
3,613,125	1,039,480	4,652,605
\$ 4,330,335	1,245,698	5,576,033
\$ 195,095	-	195,095
97,838	-	97,838
89,546	90,708	180,254
249,142	-	249,142
2,428,023	-	2,428,023
1,270,691	1,154,990	2,425,681
\$ 4,330,335	1,245,698	5,576,033

City of Monticello

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	General	Special Revenue Library Building Capital Campaign
Receipts:		
Property tax	\$ 564,977	-
Tax increment financing	-	-
Other city tax	295,826	-
Licenses and permits	14,209	-
Use of money and property	94,050	5,738
Intergovernmental	120,022	-
Charges for service	266,906	-
Special assessments	-	-
Miscellaneous	55,101	718,548
Total receipts	1,411,091	724,286
Disbursements:		
Operating:		
Public safety	695,098	-
Public works	79,349	-
Culture and recreation	343,053	-
Community and economic development	-	-
General government	258,457	-
Debt service	-	-
Capital projects	-	-
Total disbursements	1,375,957	-
Excess (deficiency) of receipts over (under) disbursements	35,134	724,286
Other financing sources (uses):		
Bond proceeds (net of \$11,313 discount)	-	-
Bank loan proceeds	86,965	-
Operating transfers in	-	-
Operating transfers out	(145,509)	-
Total other financing sources (uses)	(58,544)	-
Net change in cash balances	(23,410)	724,286
Cash balances beginning of year, as restated	798,364	177,055
Cash balances end of year	\$ 774,954	901,341
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	-
Unreserved:		
General fund	774,954	-
Special revenue funds	-	-
Capital projects fund	-	901,341
Permanent funds	-	-
Total cash basis fund balances	\$ 774,954	901,341

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
203,847	-	206,262	975,086
		486,288	486,288
8,165	-	9,298	313,289
-	-	-	14,209
389	11,368	15,208	126,753
-	100,552	408,983	629,557
-	4,400	-	271,306
-	36,266	-	36,266
328	219,267	133,911	1,127,155
212,729	371,853	1,259,950	3,979,909
-	-	202,347	897,445
-	-	345,575	424,924
-	-	64,314	407,367
-	598	139,914	140,512
-	-	21,985	280,442
621,260	-	-	621,260
-	2,182,544	-	2,182,544
621,260	2,183,142	774,135	4,954,494
(408,531)	(1,811,289)	485,815	(974,585)
-	1,583,687	-	1,583,687
-	-	-	86,965
402,255	165,910	-	568,165
-	(10,341)	(391,172)	(547,022)
402,255	1,739,256	(391,172)	1,691,795
(6,276)	(72,033)	94,643	717,210
95,822	1,598,715	943,169	3,613,125
89,546	1,526,682	1,037,812	4,330,335
89,546	-	-	89,546
-	-	-	774,954
-	-	788,670	788,670
-	1,526,682	-	2,428,023
-	-	249,142	249,142
89,546	1,526,682	1,037,812	4,330,335

City of Monticello

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise		
	Water	Sewer	Sanitation
Operating receipts:			
Charges for service	\$ 296,673	434,498	360,631
Miscellaneous	30,207	24,531	19,011
Total operating receipts	326,880	459,029	379,642
Operating disbursements:			
Business type activities	224,981	221,685	322,690
Excess (deficiency) of operating receipts over (under) operating disbursements	101,899	237,344	56,952
Non-operating receipts (disbursements):			
Intergovernmental	-	135,328	-
Interest on investments	5,102	10,622	1,212
Debt service	(97,012)	(211,857)	-
Total non-operating receipts (disbursements)	(91,910)	(65,907)	1,212
Excess (deficiency) of receipts over (under) disbursements	9,989	171,437	58,164
Operating transfers in	-	-	-
Operating transfers out	(40,143)	-	-
	(40,143)	-	-
Net change in cash balances	(30,154)	171,437	58,164
Cash balances beginning of year, as restated	383,033	499,528	120,263
Cash balances end of year	\$ 352,879	670,965	178,427
Cash Basis Fund Balances			
Reserved for debt service	\$ 30,839	59,869	-
Unreserved	322,040	611,096	178,427
Total cash basis fund balances	\$ 352,879	670,965	178,427

See notes to financial statements.

<u>Funds</u>	
<u>Nonmajor</u>	
Local	
Access	
Channel	Total
-	1,091,802
-	73,749
-	1,165,551
31,568	800,924
(31,568)	364,627
19,000	154,328
339	17,275
-	(308,869)
19,339	(137,266)
(12,229)	227,361
19,000	19,000
-	(40,143)
19,000	(21,143)
6,771	206,218
36,656	1,039,480
43,427	1,245,698
-	90,708
43,427	1,154,990
43,427	1,245,698

City of Monticello

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Monticello is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1837 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, general government and business type activities.

A. Reporting Entity

For financial reporting purposes, except as noted, the City of Monticello has included all funds, organizations, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City'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 City 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 City.

These financial statements present the City of Monticello (the primary government) and the Riverside Gardeners, Inc., Monticello Firefighters Organization, Inc. and Monticello Emergency Medical Team (component units). These component units discussed below are included in the City's reporting entity because of the significance of the operational or financial relationship with the City.

The Riverside Gardeners, Inc. is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Riverside Gardeners, Inc. has been established pursuant to Chapter 504A of the Code of Iowa for the purpose of developing and maintaining public parks, the maintenance and improvement of community recreational areas and facilities, and the beautification of parklands. The Monticello Riverside Park is the primary beneficiary of this charitable organization and it is the intent of the Board of Directors of the Riverside Gardeners, Inc. to continue this relationship with the City.

The Monticello Firefighters Organization, Inc. is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Monticello Firefighters Organization, Inc. has been established pursuant to Chapter 504A of the Code of Iowa for the purpose of assisting the Monticello Fire Department.

The Monticello Emergency Medical Team is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Monticello Emergency Medical Team is legally separate from the City, its purpose is to benefit the City of Monticello (the primary government) by soliciting contributions and managing those funds.

Excluded Component Unit

The Friends of Monticello Public Library, Inc. was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa to receive donations for the benefit of the Monticello Public Library. These would be used to purchase items which are not included in the City's budget. The financial transactions of this component unit have not been displayed because they were not made available.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Jones County Assessor's Conference Board, E911 Joint Service Board and Emergency Management Agency. The City also participates in the Jones County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which 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 Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and/or proprietary funds are aggregated and reported as nonmajor governmental and/or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Library Building Capital Campaign Fund is used to account for donations for the library building.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operations and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

The City of Monticello maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the capital projects function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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 City 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 City Council; 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Long-Term Debt

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Capital Loan Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 400,000	160,210	120,000	58,038	150,000	158,933	670,000
2006	405,000	147,320	125,000	52,188	155,000	153,418	685,000	352,926
2007	415,000	133,258	130,000	46,094	165,000	147,448	710,000	326,800
2008	435,000	118,310	140,000	39,659	170,000	140,810	745,000	298,779
2009	420,000	101,788	145,000	32,659	175,000	133,820	740,000	268,267
2010 - 2014	1,705,000	278,692	485,000	51,398	1,020,000	546,487	3,210,000	876,577
2015 - 2019	385,000	25,200	-	-	1,295,000	282,694	1,680,000	307,894
2020 - 2021	-	-	-	-	330,000	25,455	330,000	25,455
Total	\$4,165,000	964,778	1,145,000	280,036	3,460,000	1,589,065	8,770,000	2,833,879

Revenue Bonds

The resolutions providing for the issuance of the water and sewer revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

- (c) Monthly transfers shall be made to water and sewer reserve accounts until specified required balances have been accumulated. These accounts are restricted for paying principal at maturity or interest on the bonds in the event the sinking account balances are insufficient to make the payments.
- (d) Monthly transfers of \$400 shall be made to a sewer improvement account until the required balance of \$75,000 is accumulated. A sum of \$37,000 shall be paid to a water improvement and extension account at the time of delivery of the bonds. These accounts are restricted for paying principal or interest on the bonds when there is insufficient money in the sinking or reserve accounts, for extraordinary maintenance expenses or repair, renewals and replacements not included in the annual budget of revenues and current expenses, payment of rentals on any part of the system and for capital improvements to the system.
- (e) All funds remaining in the water accounts after making the required transfers to the sinking, reserve and improvement accounts shall be placed in a surplus account. As long as the sinking, reserve and improvement accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the Utility as the Council may direct.

Bank Loans – On February 7, 2002, the City entered into a loan agreement for \$29,188 to purchase specialized transportation equipment. The agreement requires three annual payments of \$10,341, including 4.50% per annum interest, with the final payment due July 1, 2004. The principal balance at June 30, 2004 was \$9,894.

On July 29, 2003, the City entered into a loan agreement for \$86,965 to purchase a new ambulance. The agreement requires four annual payments of \$23,683, including 3.50% per annum interest, with the final payment due August 1, 2007. The principal balance at June 30, 2004 was \$86,965.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$58,562, \$57,925 and \$57,077, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City also allows employees to accumulate holiday and compensatory time during the fiscal year in lieu of overtime pay. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 1,600
Vacation	9,600
Sick leave	81,000
Holiday	<u>500</u>
Total	<u>\$ 92,700</u>

This liability has been computed based on rates of pay in effect at June 30, 2004. Sick leave is payable when used or, after an employment period of eight years, upon termination, retirement or death. If paid upon termination, retirement or death, one-half of the total accumulated sick leave hours, not to exceed 720 hours, are paid at the effective hourly rate at June 30, 1998 for that employee. Based on this computation, the minimum accumulated sick leave approximated \$16,700 at June 30, 2004.

(6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2004 were \$110,319.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with flood insurance and airport liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Construction Commitment

The City has entered into contracts for Gill and East Third Street construction, Cedar Street drainage improvements, South Side Water Main Extension, South Side Sanitary Sewer Extension, South Side Elevated Storage and UV Disinfection System Replacement totaling \$3,392,939. At June 30, 2004, \$462,162 has been paid on the contracts. Additional payments will be made as work on the projects progresses.

(8) Interfund Loan

During the year ended June 30, 1997, the General Fund loaned \$38,000 to the Capital Projects Fund to finance project costs within the TIF area. The loan bears interest at 10% per annum and is to be paid back over the nine-year period beginning June 1, 1998. At June 30, 2004, the remaining balance was \$10,000. This balance will be repaid with two equal annual installments of \$5,000 with interest beginning July 1, 2005.

(9) Library Trusts

The City has received bequests from Charles S. Bidwell and Ioma M. Baker to be used for specific library purposes. The interest received from the Bidwell bequest is to be used to purchase library books and interest received from the Baker bequest is to be used towards library purposes.

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$16,087 during the year ended June 30, 2004.

(11) Deficit Balance

The Special Revenue, CEBA and Other Grants Fund had a deficit balance of \$22,486 at June 30, 2004. The deficit balance was a result of grant activity taking place with the City paying the costs prior to the request for grant reimbursement being filed. The deficit will be eliminated upon receipt of grant funds.

(12) Interfund Transfers

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 58,456
	Enterprise:	
	Water Bond Sinking	40,143
	Capital Projects	10,341
	Special Revenue:	
	Tax Increment Financing	<u>293,315</u>
		<u>402,255</u>
Capital Projects	General	68,053
	Special Revenue:	
	Tax Increment Financing	<u>97,857</u>
		<u>165,910</u>
Enterprise:		
Local Access Channel	General	<u>19,000</u>
Total		<u><u>\$ 587,165</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(13) Litigation

The City is involved in several legal matters at June 30, 2004. The probability of loss, if any, is undeterminable.

(14) Subsequent Events

In November 2004, the City approved the purchase of a 10,000 gallon jet fuel system for the airport costing \$62,643.

(15) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The Local Access Channel Fund has been reclassified from the General Fund to an Enterprise Fund. Beginning net assets of the City’s governmental and business type activities have been restated because of this reclassification, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cash basis net assets June 30, 2003, as previously reported	\$ 3,649,781	1,002,824
Reclassification of Local Access Channel Fund	<u>(36,656)</u>	<u>36,656</u>
Cash basis net assets July 1, 2003, as restated	<u>\$ 3,613,125</u>	<u>1,039,480</u>

Required Supplementary Information

City of Monticello
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 975,086	-	-
Tax increment financing	486,288	-	-
Other city tax	313,289	-	-
Licenses and permits	14,209	-	-
Use of money and property	126,753	17,275	8,212
Intergovernmental	629,557	154,328	-
Charges for service	271,306	1,091,802	-
Special assessments	36,266	-	-
Miscellaneous	1,127,155	73,749	96,135
Total receipts	3,979,909	1,337,154	104,347
Disbursements:			
Public safety	897,445	-	98,491
Public works	424,924	-	-
Health and social services	-	-	-
Culture and recreation	407,367	-	13,014
Community and economic development	140,512	-	-
General government	280,442	-	-
Debt service	621,260	-	-
Capital projects	2,182,544	-	-
Business type activities	-	1,109,793	-
Total disbursements	4,954,494	1,109,793	111,505
Excess (deficiency) of receipts over (under) disbursements	(974,585)	227,361	(7,158)
Other financing sources (uses)	1,691,795	(21,143)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	717,210	206,218	(7,158)
Balances beginning of year	3,613,125	1,039,480	417,227
Balances end of year	\$ 4,330,335	1,245,698	410,069

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
975,086	956,326	956,326	18,760
486,288	448,091	448,091	38,197
313,289	248,493	283,311	29,978
14,209	83,900	83,900	(69,691)
135,816	196,637	194,641	(58,825)
783,885	1,187,858	1,201,420	(417,535)
1,363,108	1,372,200	1,377,406	(14,298)
36,266	-	22,530	13,736
1,104,769	255,335	1,489,698	(384,929)
5,212,716	4,748,840	6,057,323	(844,607)
798,954	857,627	876,062	77,108
424,924	493,228	549,159	124,235
-	-	-	-
394,353	400,899	535,337	140,984
140,512	152,000	156,750	16,238
280,442	312,864	335,649	55,207
621,260	627,214	627,214	5,954
2,182,544	784,620	905,178	(1,277,366)
1,109,793	2,215,097	3,234,828	2,125,035
5,952,782	5,843,549	7,220,177	1,267,395
(740,066)	(1,094,709)	(1,162,854)	422,788
1,670,652	465,000	1,472,252	198,400
930,586	(629,709)	309,398	621,188
4,235,378	3,893,295	4,480,820	(245,442)
5,165,964	3,263,586	4,790,218	375,746

City of Monticello

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for blended component units and Permanent Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,376,628. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the capital projects function.

Other Supplementary Information

City of Monticello

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special							
	Road Use Tax	CEBA and Other Grants	Employee Benefits	Tax Increment Financing	Library Improvements	Earl F. Lehmann	Street Bonding	Cemetery Improvements
Receipts:								
Property tax	\$ -	-	206,262	-	-	-	-	-
Tax increment financing	-	-	-	486,288	-	-	-	-
Other city tax	-	-	9,298	-	-	-	-	-
Use of money and property	-	-	869	1,135	730	1	-	2,589
Intergovernmental	301,084	106,596	-	-	1,303	-	-	-
Miscellaneous	-	6,368	-	1,587	9,380	-	425	2,500
Total receipts	301,084	112,964	216,429	489,010	11,413	1	425	5,089
Disbursements:								
Operating:								
Public safety	-	-	103,856	-	-	-	-	-
Public works	311,184	-	30,966	-	-	-	3,425	-
Culture and recreation	-	-	21,009	-	16,609	-	-	13,682
Community and economic development	-	139,914	-	-	-	-	-	-
General government	-	-	19,778	-	-	-	-	-
Total disbursements	311,184	139,914	175,609	-	16,609	-	3,425	13,682
Excess (deficiency) of receipts over (under) disbursements	(10,100)	(26,950)	40,820	489,010	(5,196)	1	(3,000)	(8,593)
Other financing uses:								
Operating transfers out	-	-	-	(391,172)	-	-	-	-
Net change in cash balances	(10,100)	(26,950)	40,820	97,838	(5,196)	1	(3,000)	(8,593)
Cash balances beginning of year	205,195	4,464	85,582	-	44,745	221	3,300	123,823
Cash balances end of year	\$195,095	(22,486)	126,402	97,838	39,549	222	300	115,230
Cash Basis Fund Balances								
Unreserved:								
Special revenue funds	\$195,095	(22,486)	126,402	97,838	39,549	222	300	115,230
Permanent funds	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$195,095	(22,486)	126,402	97,838	39,549	222	300	115,230

See accompanying independent auditor's report.

Revenue						Permanent				Total
Family Aquatic Center Campaign	Library Building	Jones County Expo	Riverside Gardeners, Inc.	Monticello Firefighters Organization, Inc.	Monticello Emergency Medical Team	Cemetery Perpetual Care	Ioma M. Baker Library Trust	Charles S. Bidwell Book Trust		
-	-	-	-	-	-	-	-	-	206,262	
-	-	-	-	-	-	-	-	-	486,288	
-	-	-	-	-	-	-	-	-	9,298	
662	1,010	-	70	3,344	3	-	1,986	2,809	15,208	
-	-	-	-	-	-	-	-	-	408,983	
16,261	-	1,255	3,103	60,944	29,265	2,262	-	561	133,911	
16,923	1,010	1,255	3,173	64,288	29,268	2,262	1,986	3,370	1,259,950	
-	-	-	-	65,223	33,268	-	-	-	202,347	
-	-	-	-	-	-	-	-	-	345,575	
-	-	-	9,085	-	-	-	-	3,929	64,314	
-	-	-	-	-	-	-	-	-	139,914	
-	-	2,207	-	-	-	-	-	-	21,985	
-	-	2,207	9,085	65,223	33,268	-	-	3,929	774,135	
16,923	1,010	(952)	(5,912)	(935)	(4,000)	2,262	1,986	(559)	485,815	
-	-	-	-	-	-	-	-	-	(391,172)	
16,923	1,010	(952)	(5,912)	(935)	(4,000)	2,262	1,986	(559)	94,643	
3,651	54,009	952	13,873	141,174	16,727	104,455	44,912	96,086	943,169	
20,574	55,019	-	7,961	140,239	12,727	106,717	46,898	95,527	1,037,812	
20,574	55,019	-	7,961	140,239	12,727	-	-	-	788,670	
-	-	-	-	-	-	106,717	46,898	95,527	249,142	
20,574	55,019	-	7,961	140,239	12,727	106,717	46,898	95,527	1,037,812	

City of Monticello
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential Corporate Purpose	Aug 1, 1993	5.00%	\$ 275,000
Essential Corporate Purpose	Jun 1, 1994	5.40-5.50	400,000
Street Improvement	Dec 1, 1998	4.05-4.55	1,000,000
General Corporate Purpose	May 1, 2001	4.00-4.50	885,000
Urban Renewal	Aug 1, 2001	3.90-4.80	995,000
General Corporate Purpose	Aug 1, 2003	1.50-3.16	395,000
Urban Renewal	May 1, 2004	1.25-4.00	1,200,000
Total			
General obligation capital loan notes:			
Industrial park and youth center projects	Apr 1, 1996	4.90%	\$ 625,000
Streets, sidewalks, ambulance, water and sewer projects	Jan 1, 1997	4.875-5.250	1,810,000
Total			
Revenue bonds:			
Sewer	Dec 1, 1998	4.25-5.00%	\$ 1,700,000
Water	Mar 15, 2002	3.00-5.10	1,210,000
Sewer	Mar 15, 2002	3.40-5.10	935,000
Total			
Bank Loans:			
Van	Feb 7, 2002	4.50%	\$ 29,188
Ambulance	Jul 29, 2003	3.50	86,965
Total			
Lease-purchase agreements:			
Park mower	Jul 10, 1998	6.75%	\$ 27,720
Cemetery tractor/loader	Nov 11, 1998	6.25	15,650
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
125,000	-	20,000	105,000	6,210
205,000	-	30,000	175,000	11,170
790,000	-	60,000	730,000	33,945
770,000	-	80,000	690,000	32,572
940,000	-	55,000	885,000	40,400
-	395,000	15,000	380,000	8,946
-	1,200,000	-	1,200,000	-
\$ 2,830,000	1,595,000	260,000	4,165,000	133,243
25,000	-	25,000	-	1,225
1,260,000	-	115,000	1,145,000	63,644
\$ 1,285,000	-	140,000	1,145,000	64,869
1,520,000	-	65,000	1,455,000	70,325
1,175,000	-	45,000	1,130,000	52,012
910,000	-	35,000	875,000	41,532
\$ 3,605,000	-	145,000	3,460,000	163,869
19,364	-	9,470	9,894	871
-	86,965	-	86,965	-
\$ 19,364	86,965	9,470	96,859	871
6,291	-	6,291	-	425
3,521	-	3,521	-	220
\$ 9,812	-	9,812	-	645

City of Monticello
 Bond and Note Maturities
 June 30, 2004

Year Ending June 30,	General Obligation Bonds									
	Essential Corporate Purpose Issued Aug 1, 1993		Essential Corporate Purpose Issued Jun 1, 1994		Street Improvement Issued Dec 1, 1998		General Corporate Purpose Issued May 1, 2001		Urban Renewal Issued Aug 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	5.00%	\$ 25,000	5.40%	\$ 30,000	4.05%	\$ 60,000	4.00%	\$ 85,000	3.90%	\$ 60,000
2006	5.00	25,000	5.50	35,000	4.10	60,000	4.10	90,000	3.90	60,000
2007	5.00	25,000	5.50	35,000	4.15	65,000	4.15	90,000	3.90	60,000
2008	5.00	30,000	5.50	35,000	4.20	70,000	4.25	95,000	4.00	65,000
2009	-	-	5.50	40,000	4.25	70,000	4.35	100,000	4.10	70,000
2010	-	-	-	-	4.35	75,000	4.40	110,000	4.20	70,000
2011	-	-	-	-	4.40	75,000	4.50	120,000	4.30	75,000
2012	-	-	-	-	4.45	80,000	-	-	4.40	75,000
2013	-	-	-	-	4.50	85,000	-	-	4.50	80,000
2014	-	-	-	-	4.55	90,000	-	-	4.60	85,000
2015	-	-	-	-	-	-	-	-	4.70	90,000
2016	-	-	-	-	-	-	-	-	4.80	95,000
Total		<u>\$105,000</u>		<u>\$175,000</u>		<u>\$ 730,000</u>		<u>\$ 690,000</u>		<u>\$ 885,000</u>

Year Ending June 30,	General Obligation Capital Loan Notes				Revenue Bonds					
	Water and Sewer Projects Issued Jan 1, 1997		Sewer Issued Dec 1, 1998		Water Issued Mar 15, 2002		Sewer Issued Mar 15, 2002		Total	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2005	4.875%	\$ 120,000	4.25%	\$ 70,000	3.00%	\$45,000	3.40%	\$ 35,000	150,000	
2006	4.875	125,000	4.25	70,000	3.40	50,000	3.70	35,000	155,000	
2007	4.950	130,000	4.25	75,000	3.70	50,000	4.00	40,000	165,000	
2008	5.000	140,000	4.25	80,000	3.90	50,000	4.10	40,000	170,000	
2009	5.125	145,000	4.30	80,000	4.00	55,000	4.20	40,000	175,000	
2010	5.150	155,000	4.40	85,000	4.15	55,000	4.30	45,000	185,000	
2011	5.200	160,000	4.50	90,000	4.25	60,000	4.40	45,000	195,000	
2012	5.250	170,000	4.60	95,000	4.40	60,000	4.50	50,000	205,000	
2013	-	-	4.70	100,000	4.50	65,000	4.60	50,000	215,000	
2014	-	-	4.75	105,000	4.60	65,000	4.70	50,000	220,000	
2015	-	-	4.80	110,000	4.70	70,000	4.80	55,000	235,000	
2016	-	-	4.85	115,000	4.89	75,000	4.90	55,000	245,000	
2017	-	-	4.90	120,000	4.90	80,000	5.00	60,000	260,000	
Total		<u>\$ 1,145,000</u>		<u>\$ 1,455,000</u>		<u>\$1,130,000</u>		<u>\$ 875,000</u>	<u>3,460,000</u>	

See accompanying independent auditor's report.

General				
Corporate Purpose		Urban Renewal		
Issued Aug 1, 2003		Issued May 1, 2004		
Interest		Interest		
Rates	Amount	Rates	Amount	Total
1.50%	\$ 40,000	1.25%	\$ 100,000	400,000
1.85	35,000	1.75	100,000	405,000
2.25	40,000	2.10	100,000	415,000
2.55	40,000	2.50	100,000	435,000
2.85	40,000	2.80	100,000	420,000
3.15	45,000	3.00	100,000	400,000
3.30	45,000	3.25	100,000	415,000
3.45	45,000	3.50	100,000	300,000
3.16	50,000	3.70	100,000	315,000
	-	3.85	100,000	275,000
	-	4.00	100,000	190,000
	-	4.00	100,000	195,000
	<u>\$ 380,000</u>		<u>\$ 1,200,000</u>	<u>4,165,000</u>

Schedule 4

City of Monticello

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 975,086	1,055,907
Tax increment financing	486,288	344,043
Other city tax	313,289	283,326
Licenses and permits	14,209	16,339
Use of money and property	126,753	152,068
Intergovernmental	629,557	668,673
Charges for service	271,306	304,434
Special assessments	36,266	35,616
Miscellaneous	1,127,155	758,828
	<u>1,127,155</u>	<u>758,828</u>
Total	<u>\$ 3,979,909</u>	<u>3,619,234</u>
Disbursements:		
Operating:		
Public safety	\$ 897,445	987,995
Public works	424,924	416,198
Culture and recreation	407,367	482,741
Community and economic development	140,512	75,215
General government	280,442	290,933
Debt service	621,260	788,965
Capital projects	2,182,544	1,186,191
	<u>2,182,544</u>	<u>1,186,191</u>
Total	<u>\$ 4,954,494</u>	<u>4,228,238</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Monticello, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated November 4, 2004. A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, due to the omission of the financial transactions of the Friends of Monticello Public Library, Inc. which should be included. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Monticello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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. Prior year statutory comments have not been resolved and are repeated as items (2), (5), (10) and (11).

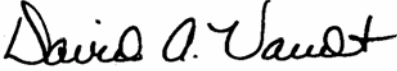
Internal Control Over Financial Reporting


In planning and performing our audit, we considered the City of Monticello's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Monticello's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable conditions described above to be material weaknesses. The prior year reportable condition has not been resolved and is repeated as item (A).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Monticello and other parties to whom the City of Monticello may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Monticello 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 4, 2004

City of Monticello

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Soldiers Memorial Board Maintenance Account – One individual performs all accounting functions for the Soldiers Memorial Board Maintenance Account. Also, the primary record kept for the General Fund, Soldiers Memorial Board Maintenance Account was a check register.

Recommendation – Internal control could be strengthened and operating efficiency could be increased by integrating the Maintenance Account receipts and disbursements with the City's accounting records in the City Clerk's office. Chapter 384.20 of the Code of Iowa, states in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

Response – The City requires two people to sign all checks and will continue to work with the Board to implement more internal control.

Conclusion – Response accepted.

- (B) Separately Maintained Record – The Monticello Police Department has established a "Monticello Police Forfeiture" checking account to account for forfeited funds from drug cases and tobacco stings. The account is maintained by the police department and is not a part of the City Clerk's accounting system.

Recommendation – Chapter 384.20 of the Code of Iowa states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property." This account should be remitted to the City Clerk or, at a minimum, the financial accounting should be provided and integrated into the City's accounting system.

Response – The City will look into this and attempt to integrate the account into the City's accounting system.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming an official depository has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – Although the budget was amended, the conversion to GASB 34 during the fiscal year created some confusion and the business type activities function was amended instead of the capital projects function. The City should ensure future budget amendments are sufficient to cover City disbursements, pursuant to Chapter 384.20 of the Code of Iowa.

Response – With the conversion to GASB 34, the City moved business capital projects to the business type functions. We will revert that back to the capital projects and will amend the budget accordingly.

Conclusion – Response accepted.

- (3) Questionable Disbursements – One disbursement was noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Keleher's Jewelry, Inc.	Mayor/Council thank you gifts	\$ 150

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved closer scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document in the minutes record the specific public purpose served by these type of disbursements before authorizing any further payment(s). If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation regarding each individual transaction.

Response – The City Council passed Resolution #02-3 on January 7, 2002 to authorize this type of payment.

Conclusion – Response acknowledged. Resolution 02-3 addresses Chamber of Commerce "Bucks" and the purchase of employee gift certificates. The resolution does not include items purchased at Keleher's Jewelry, Inc. In the future, resolution #02-3 should be amended or a new resolution approved to include items not covered in resolution #02-3 and the specific public purpose served regarding each individual transaction.

City of Monticello

Schedule of Findings

Year ended June 30, 2004

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted during the fiscal year ended June 30, 2004.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Dennis Gray, Soldiers Memorial Board Member, Owner of the Lock Shop	Services	\$ 541
Jerry Pasker, Planning and Zoning Member, Member/Owner of Netconnect	Services	4,228
Nick Sauser, Jr., Planning and Zoning Board Member, owner Sauser's Gas and Repair Shop	Services and supplies	2,177
Dave Lasley, Ambulance Board Member, Owner of Net Tech Consulting	Computer and installation	9,141

The transaction with the Soldiers Memorial Board Member does not represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa because the cumulative total during the fiscal year was less than \$1,500.

The transactions exceeding \$1,500 may represent conflicts of interest.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact legal counsel regarding this.

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Bond – No instances of non-compliance with the provisions of the water and sewer revenue bond indentures were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2004

- (10) Monticello Public Library – The Friends of Monticello Public Library, Inc. (Friends) was established as a non-profit corporation, in accordance with Chapter 504A of the Code of Iowa, to receive donations for the benefit of the Monticello Public Library. A document provided by the City indicates a contribution dated July 31, 1992 of 500 shares of Service Corporation International was to be given to the Monticello Public Library. The value of these shares was not recorded by the City and City officials informed us these shares were given to the Friends of Monticello Public Library, Inc. A document dated December 1, 2002 signed by the donor states the stock was intended to be given to the Monticello Public Library. The project for which the donation was received has not been started as of the date of this audit. On October 31, 2003 a permanent injunction was issued to freeze all funds of the Friends of the Monticello Public Library, Inc. until this legal matter is resolved.

Recommendation – The City should continue to consult legal counsel and request the funds represented by the stock gift be transferred to the Monticello Public Library as intended by the donors. In addition, the City should work with Friends to determine whether any other donations received by Friends were intended to be given to the Monticello Public Library and seek transfer of those as well.

Response – The City will continue to consult legal counsel to get this resolved. This has been to court and City is working with the judge to assist in getting this resolved.

Conclusion – Response accepted.

- (11) Financial Condition – At June 30, 2004, the City had a deficit balance in the Special Revenue, CEBA and Other Grants Fund of \$22,486.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – The City has received the payment from the HUD grant which returned this account to a sound financial position.

Conclusion – Response accepted.

- (12) Corrective Transfer – During the year ended June 30, 2004, the City recorded accrued interest of \$1,587 on the sale of general obligation bonds, dated May 1, 2004 to the Special Revenue, Tax Increment Financing Fund. The Resolution authorizing and providing for the issuance of the general obligation bonds requires the accrued interest be recorded to the Debt Service, Tax Increment Financing Fund.

Recommendation – The City should approve a corrective transfer of \$1,587 from the Special Revenue, Tax Increment Financing Fund to the Debt Service, Tax Increment Financing Fund.

Response – We have already made the corrective entry.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2004

- (13) Bank Loan – During the year, the City obtained a bank loan of \$86,965 to purchase an ambulance. However, the City did not hold a public hearing. Chapter 384.24A(3) of the Code of Iowa states the City shall follow the same authorization procedure required for the issuance of general obligation bonds issued for the same purpose to authorize a loan agreement made payable from the Debt Service Fund. Pursuant to Chapter 384.25 of the Code of Iowa, the City should have published notice of and held a public hearing prior to entering into the loan agreement.

Recommendation – In the future, the City should comply with the requirements of Chapters 384.24A and 384.25 of the Code of Iowa before entering into bank loans.

Response – The City of Monticello will comply as it has always done with Chapters 384.24A and 384.25 of the Code of Iowa before entering into a bank loan. This one time oversight by the previous City Administrator should not reflect on the current staff including the City Clerk. The oversight has helped to foster better communication among the city offices.

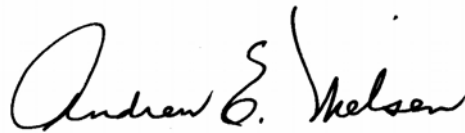
Conclusion – Response accepted.

City of Monticello

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
John G. Vanis, CGFM, Senior Auditor
Daniel L. Grady, Assistant Auditor
Carmon K. Kutcher, Assistant Auditor
Scott D. Trauger, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State