



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 20, 2006

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$6,737,166 for the year ended June 30, 2005, a 3.6 percent decrease from 2004. The receipts included \$1,016,092 in property tax, \$553,027 from tax increment financing, \$1,719,749 from charges for service, \$1,106,141 from operating grants, contributions and restricted interest, \$431,560 from capital grants, contributions and restricted interest, \$242,865 from local option sales tax, \$56,300 from utility franchise tax, \$87,154 from unrestricted interest on investments, \$1,447,100 from note proceeds and \$77,178 from other general receipts.

Disbursements for the year totaled \$6,417,544, a 5.8 percent increase from the prior year, and included \$1,946,432 for debt service, \$1,236,174 for capital projects and \$839,798 for public safety. Also, disbursements for business type activities totaled \$1,151,424.

A copy of the report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF MONTICELLO**

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

**JUNE 30, 2005**

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**City of Monticello**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Yeoman	Mayor	Jan 2006
Dena Himes	Mayor Pro tem	Jan 2006
Tom Henry	Council Member	Resigned
Jerry Welter (appointed)	Council Member	Nov 2005
William Meyer	Council Member	Jan 2006
Reenie Breyer	Council Member	Jan 2008
Dave Utter	Council Member	Jan 2008
Gerald Muller	Council Member	Jan 2008
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

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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, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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.

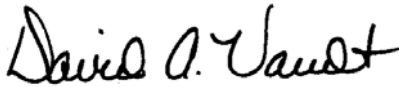
The financial statements referred to above do not include the financial activity of the Friends of Monticello Public Library, Inc., a component unit of the City of Monticello. Such financial activity should be reported in the governmental activities and the Special Revenue Funds of the City's primary 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 excluded component unit for the year ended June 30, 2005 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, the business type activities, each major fund and the aggregate remaining fund information of the City of Monticello as of June 30, 2005, 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.

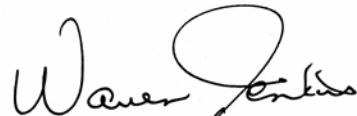
In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005 on our consideration of the City of Monticello's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis 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 certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming 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 two years ended June 30, 2004 (which are not presented herein) and expressed qualified opinions 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 18, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- The City's total receipts and transfers for governmental activities decreased 1.7%, or approximately \$96,000, from fiscal year 2004 to 2005. The total cost of all governmental activities programs and services increased 6.3%, or approximately \$312,000. The decrease in receipts was primarily the result of a reduction in loan proceeds in fiscal 2005 from fiscal 2004. The increase in disbursements was due primarily to the net effect of a budgeted refunding note issue. Capital projects decreased 43.3%, or approximately \$946,000, as a result of projects completed in fiscal 2004. Notes and bonds refunded in fiscal 2005 totaled \$1,170,000.
- The cost of all City governmental activities this year was approximately \$5,266,000 compared to \$4,954,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$3,626,000 because some of the cost was paid by those directly benefited from the programs (\$498,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,442,000).

### 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, Tax Increment Financing and Library Building Capital Campaign, 3) the Debt Service Fund and 4) the Capital Projects 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.

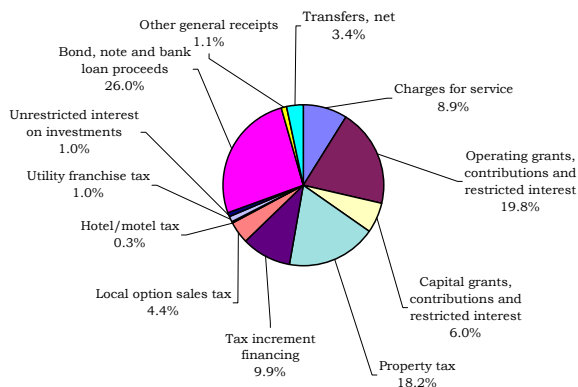
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

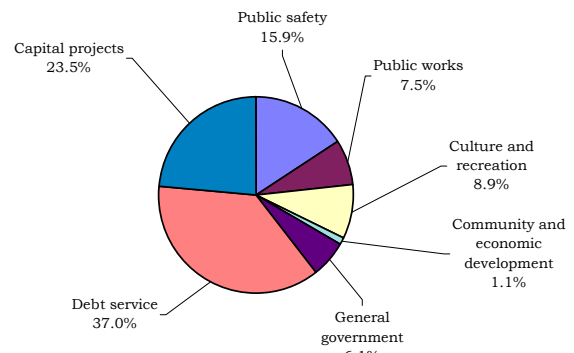
Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 497,559	382,594
Operating grants, contributions and restricted interest	1,106,141	775,906
Capital grants, contributions and restricted interest	336,099	116,321
General receipts:		
Property tax	1,016,092	1,017,658
Tax increment financing	553,027	486,287
Local option sales tax	242,865	237,577
Hotel/motel tax	14,599	13,583
Utility franchise tax	56,300	19,566
Grants and contributions not restricted to specific purposes	-	718,548
Unrestricted interest on investments	54,883	35,186
Bond, note and bank loan proceeds	1,447,100	1,670,652
Other general receipts	62,579	176,683
Transfers, net	188,856	21,143
Total receipts and transfers	<u>5,576,100</u>	<u>5,671,704</u>
Disbursements:		
Public safety	839,798	897,445
Public works	396,103	424,924
Culture and recreation	469,241	407,367
Community and economic development	59,686	140,512
General government	318,686	280,442
Debt service	1,946,432	621,260
Capital projects	1,236,174	2,182,544
Total disbursements	<u>5,266,120</u>	<u>4,954,494</u>
Increase in cash basis net assets	309,980	717,210
Cash basis net assets beginning of year	4,330,335	3,613,125
Cash basis net assets end of year	<u>\$ 4,640,315</u>	<u>4,330,335</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts and transfers for governmental activities were \$5,576,100. The total cost of all programs and services was \$5,266,120. The \$309,980 difference in receipts and transfers over disbursements was due primarily to the Library Building Capital Campaign since the Renaissance Center construction was started and the Park Drive and Cedar Street projects were substantially completed in fiscal year 2005.

The cost of all governmental activities this year was \$5,266,120 compared to \$4,954,494 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$3,326,321 because some of the cost was paid by those directly benefited from the programs (\$497,559) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,442,240).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 345,851	323,717
Sewer	495,112	459,029
Sanitation	380,846	379,642
Local Access Channel	381	-
Capital grants, contributions and restricted interest	95,461	135,328
General receipts:		
Unrestricted interest on investments	32,271	17,275
Other general receipts	-	22,163
Total receipts	<u>1,349,922</u>	<u>1,337,154</u>
Disbursements and transfers:		
Water	351,443	321,993
Sewer	432,756	433,542
Sanitation	364,462	322,690
Local Access Channel	2,763	31,568
Transfers	188,856	21,143
Total disbursements and transfers	<u>1,340,280</u>	<u>1,130,936</u>
Increase in cash basis net assets	9,642	206,218
Cash basis net assets beginning of year	<u>1,245,698</u>	<u>1,039,480</u>
Cash basis net assets end of year	<u>\$ 1,255,340</u>	<u>1,245,698</u>

Total business type activities receipts for the fiscal year were \$1,349,922 compared to \$1,337,154 last year. Total disbursements and transfers for the fiscal year increased to a total of \$1,340,280 compared to \$1,130,936 last year.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$4,640,315, an increase of approximately \$310,000 above last year's total of \$4,330,335. 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 increased \$90,267 from the prior year to \$865,221. The City intends to use these receipts to help offset future property tax increases.

- The Road Use Tax Fund cash balance increased by \$276,261 to \$471,356 during the fiscal year. This increase was also attributable to approximately \$232,600 from an Iowa Department of Transportation transfer of jurisdiction funds received this fiscal year. The City intends to use this money to upgrade the condition of all City roads.
- The Tax Increment Financing Fund cash balance increased \$113,296 from the prior year to \$211,134. This balance will be used to reduce related tax increment financing debt.
- The Library Building Capital Campaign Fund cash balance increased \$270,256 from the prior year balance of \$901,341, to \$1,171,597. The campaign was in full swing during fiscal 2004.
- The Debt Service Fund cash balance of \$93,167 did not change significantly from the prior year.
- The Capital Projects Fund cash balance of \$1,107,113 changed significantly from the prior year due to the start of construction of the Renaissance Center and the completion of Park Drive and Cedar Street projects in fiscal 2005.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$37,797 to \$315,082, due primarily to repair of water main breaks during fiscal 2005.
- The Sewer Fund cash balance increased by \$28,922 to \$699,887, due primarily to the first year collection of storm water fees.
- The Sanitation Fund cash balance increased insignificantly by \$20,243 to \$198,671, due primarily to the rate increase in fiscal 2004. The City intends to use these funds to purchase a sanitation truck.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 2, 2005. The amendment provided for additional disbursements for capital projects, debt service and certain City departments. This amendment provided for additional disbursements in debt service to refinance the 1994 and 1997 bond/note issues. The City issued general obligation capital loan notes, received donations and had sufficient cash balances to absorb these additional costs.

### **DEBT ADMINISTRATION**

At June 30, 2005, the City had \$8,446,334 in bonds and other long-term debt, compared to \$8,866,859 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2005	2004
General obligation bonds	\$ 3,620,000	4,165,000
General obligation capital loan notes	1,450,000	1,145,000
Revenue notes	3,310,000	3,460,000
Bank loans	66,334	96,859
Total	\$ 8,446,334	8,866,859

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 \$5,136,334 is significantly below its constitutional debt limit of \$7.3 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 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 and Federal Aviation Administration grant. Budgeted expenditures are expected to increase. The estimated project cost for the Library, City Hall and Community Center is \$2.9 million and the airport improvement project cost is \$108,000. 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 Sally Hinrichsen, City Clerk, 200 E. 1<sup>st</sup> Street, Monticello, Iowa, 52310.

## **Basic Financial Statements**

City of Monticello

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 839,798	260,364	156,214	-
Public works	396,103	20,300	536,854	2,020
Culture and recreation	469,241	206,163	353,819	-
Community and economic development	59,686	-	-	73,221
General government	318,686	6,332	-	-
Debt service	1,946,432	-	3,905	-
Capital projects	1,236,174	4,400	55,349	260,858
Total governmental activities	5,266,120	497,559	1,106,141	336,099
Business type activities:				
Water	351,443	345,851	-	-
Sewer	432,756	495,112	-	95,461
Sanitation	364,462	380,846	-	-
Local Access Channel	2,763	381	-	-
Total business type activities	1,151,424	1,222,190	-	95,461
Total	\$ 6,417,544	1,719,749	1,106,141	431,560
<b>General and other City Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Hotel/motel tax				
Utility franchise tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Permanent				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(423,220)	-	(423,220)
163,071	-	163,071
90,741	-	90,741
13,535	-	13,535
(312,354)	-	(312,354)
(1,942,527)	-	(1,942,527)
(915,567)	-	(915,567)
(3,326,321)	-	(3,326,321)
-	(5,592)	(5,592)
-	157,817	157,817
-	16,384	16,384
-	(2,382)	(2,382)
-	166,227	166,227
(3,326,321)	166,227	(3,160,094)
750,655	-	750,655
553,027	-	553,027
265,437	-	265,437
242,865	-	242,865
14,599	-	14,599
56,300	-	56,300
54,883	32,271	87,154
1,447,100	-	1,447,100
62,579	-	62,579
188,856	(188,856)	-
3,636,301	(156,585)	3,479,716
309,980	9,642	319,622
4,330,335	1,245,698	5,576,033
\$ 4,640,315	1,255,340	5,895,655
\$ 471,356	-	471,356
211,134	-	211,134
93,167	420,418	513,585
254,074	-	254,074
2,278,710	-	2,278,710
466,653	-	466,653
865,221	834,922	1,700,143
\$ 4,640,315	1,255,340	5,895,655



City of Monticello

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

As of and for the year ended June 30, 2005

	Special Revenue			
	General	Road Use Tax	Tax Increment Financing	Library Building Capital Campaign
Receipts:				
Property tax	\$ 542,630	-	-	-
Tax increment financing	-	-	553,027	-
Other city tax	357,918	-	-	-
Licenses and permits	10,604	-	-	-
Use of money and property	130,433	-	3,084	19,306
Intergovernmental	114,706	533,175	-	-
Charges for service	306,584	-	-	-
Special assessments	-	-	-	-
Miscellaneous	117,734	-	-	250,950
Total receipts	1,580,609	533,175	556,111	270,256
Disbursements:				
Operating:				
Public safety	679,306	-	-	-
Public works	87,595	256,914	-	-
Culture and recreation	364,813	-	-	-
Community and economic development	-	-	-	-
General government	294,588	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,426,302	256,914	-	-
Excess (deficiency) of receipts over (under) disbursements	154,307	276,261	556,111	270,256
Other financing sources (uses):				
Bond proceeds (net of \$2,900 discount)	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(64,040)	-	(442,815)	-
Total other financing sources (uses)	(64,040)	-	(442,815)	-
Net change in cash balances	90,267	276,261	113,296	270,256
Cash balances beginning of year	774,954	195,095	97,838	901,341
Cash balances end of year	\$ 865,221	471,356	211,134	1,171,597
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	865,221	-	-	-
Special revenue funds	-	471,356	211,134	1,171,597
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 865,221	471,356	211,134	1,171,597

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
256,407	-	175,009	974,046
-	-	-	553,027
9,030	-	7,833	374,781
-	-	-	10,604
3,905	22,840	15,455	195,023
-	260,858	73,933	982,672
-	4,400	-	310,984
-	8,444	-	8,444
-	24,064	137,815	530,563
269,342	320,606	410,045	3,940,144
-	-	160,492	839,798
-	-	51,594	396,103
-	-	104,428	469,241
-	-	59,686	59,686
-	-	24,098	318,686
1,946,432	-	-	1,946,432
-	1,236,174	-	1,236,174
1,946,432	1,236,174	400,298	5,266,120
(1,677,090)	(915,568)	9,747	(1,325,976)
1,170,000	277,100	-	1,447,100
510,711	218,899	-	729,610
-	-	(33,899)	(540,754)
1,680,711	495,999	(33,899)	1,635,956
3,621	(419,569)	(24,152)	309,980
-	-	-	-
89,546	1,526,682	744,879	4,330,335
93,167	1,107,113	720,727	4,640,315
93,167	-	-	93,167
-	-	-	865,221
-	-	466,653	2,320,740
-	1,107,113	-	1,107,113
-	-	254,074	254,074
93,167	1,107,113	720,727	4,640,315

City of Monticello

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

As of and for the year ended June 30, 2005

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating receipts:			
Charges for service	\$ 319,868	493,614	377,337
Miscellaneous	25,983	1,498	3,509
Total operating receipts	345,851	495,112	380,846
Operating disbursements:			
Business type activities	255,556	219,712	364,462
Excess (deficiency) of operating receipts over (under) operating disbursements	90,295	275,400	16,384
Non-operating receipts (disbursements):			
Interest on investments	7,651	20,105	3,860
Intergovernmental	-	95,461	-
Debt service	(95,887)	(213,044)	-
Total non-operating receipts (disbursements)	(88,236)	(97,478)	3,860
Excess (deficiency) of receipts over (under) disbursements	2,059	177,922	20,244
Operating transfers out	(39,856)	(149,000)	-
Net change in cash balances	(37,797)	28,922	20,244
Cash balances beginning of year	352,879	670,965	178,427
Cash balances end of year	\$ 315,082	699,887	198,671
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 136,538	283,880	-
Unreserved	178,544	416,007	198,671
Total cash basis fund balances	\$ 315,082	699,887	198,671

See notes to financial statements.

Nonmajor	
Local	
Access	
Channel	Total
-	1,190,819
381	31,371
381	1,222,190
2,763	842,493
(2,382)	379,697
655	32,271
-	95,461
-	(308,931)
655	(181,199)
(1,727)	198,498
-	(188,856)
(1,727)	9,642
43,427	1,245,698
41,700	1,255,340
-	420,418
41,700	834,922
41,700	1,255,340

City of Monticello

Notes to Financial Statements

June 30, 2005

**(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 and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

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.

Blended Component Units

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 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 have not been made available.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or 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.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The 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 operation 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2005, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 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, as amended by Statement No. 40.

**(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							
	General Obligation Bonds		Capital Loan Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 370,000	139,275	180,000	41,078	155,000	153,418	705,000	333,771
2007	380,000	127,138	195,000	36,938	165,000	147,448	740,000	311,524
2008	400,000	114,115	200,000	32,062	170,000	140,810	770,000	286,987
2009	380,000	99,518	205,000	26,662	175,000	133,820	760,000	260,000
2010	400,000	85,382	205,000	20,820	185,000	126,500	790,000	232,702
2011 - 2015	1,495,000	209,970	465,000	22,830	1,070,000	500,434	3,030,000	733,234
2016 - 2020	195,000	8,560	-	-	1,220,000	219,027	1,415,000	227,587
2021	-	-	-	-	170,000	8,670	170,000	8,670
Total	\$3,620,000	783,958	1,450,000	180,390	3,310,000	1,430,127	8,380,000	2,394,475

On March 1, 2005, the City issued \$1,450,000 of general obligation capital loan refunding notes. The proceeds were used to refund \$145,000 of 1994 general obligation bonds and \$1,025,000 of 1997 general obligation capital loan notes. The resulting net savings to the City in future interest payments totaled approximately \$72,204.



### 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 Loan

On July 29, 2003, the City entered into a loan agreement for \$86,965 to purchase an 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, 2005 was \$66,334.

#### **(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$58,889, \$58,562 and \$57,925, 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, 2005, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 100
Vacation	10,500
Sick leave	78,600
Holiday	<u>1,700</u>
Total	<u>\$ 90,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2005. 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 \$17,000 at June 30, 2005.

**(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 509 members include 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 officials 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, 2005 were \$108,895.

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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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, 2005, 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 Cedar Street Improvement, South Side Water Main Extension, South Side Sanitary Sewer Extension, South Side Elevated Storage, 6<sup>th</sup> Street Improvements, 2005 Park Drive Improvement, 2005 Cedar Street Improvement, Renaissance Center, Cemetery Cremorial and Airport Fuel Tank projects totaling \$5,975,964. At June 30, 2005, \$2,912,603 has been paid on the contracts. Additional payments will be made as work on the projects progresses.

**(8) Commitments**

The City has entered into three tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of five years beginning September 2005. The total amount to be rebated as of June 30, 2005 for the three tax increment financing agreements is not to exceed \$11,200. No amounts have been rebated as of June 30, 2005.

**(9) Economic Development Loans**

During the year, the City awarded three loans, not to exceed a total of \$33,900, to local businesses under the City’s downtown business rehabilitation loan program. The loans are interest free and are to be repaid in monthly installments within a five year period following the City’s first advance on each loan agreement. As of June 30, 2005, the City advanced \$3,662 to two local businesses and repayments are scheduled to begin in subsequent periods.

**(10) 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, 2005, the remaining balance was \$5,000.

**(11) 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.

**(12) Deficit Balance**

The Special Revenue, CEBA and Other Grants Fund had a deficit balance of \$8,951 at June 30, 2005. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant proceeds.

**(13) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 34,040
	Special Revenue:	
	Tax Increment Financing	436,815
	Enterprise:	
	Water	<u>39,856</u>
		<u>470,855</u>
Capital Projects	General	30,000
	Special Revenue:	
	Tax Increment Financing	6,000
	Family Aquatic Center Campaign	33,899
	Enterprise:	
	Sewer	<u>149,000</u>
		<u>218,899</u>
Total		<u>\$ 689,754</u>

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

**(14) Litigation**

The City is involved in several legal matters at June 30, 2005. The probability of loss, if any, is undeterminable.

**City of Monticello**

**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, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 974,046	-	-
Tax increment financing	553,027	-	-
Other city tax	374,781	-	-
Licenses and permits	10,604	-	-
Use of money and property	195,023	32,271	-
Intergovernmental	982,672	95,461	8,513
Charges for service	310,984	1,190,819	-
Special assessments	8,444	-	-
Miscellaneous	530,563	31,371	65,851
Total receipts	3,940,144	1,349,922	74,364
<b>Disbursements:</b>			
Public safety	839,798	-	43,642
Public works	396,103	-	-
Culture and recreation	469,241	-	8,615
Community and economic development	59,686	-	-
General government	318,686	-	-
Debt service	1,946,432	-	-
Capital projects	1,236,174	-	-
Business type activities	-	1,151,424	-
Total disbursements	5,266,120	1,151,424	52,257
Excess (deficiency) of receipts over (under) disbursements	(1,325,976)	198,498	22,107
Other financing sources (uses)	1,635,956	(188,856)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	309,980	9,642	22,107
Balances beginning of year	4,330,335	1,245,698	410,069
Balances end of year	\$ 4,640,315	1,255,340	432,176

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
974,046	977,086	977,086	(3,040)
553,027	541,213	541,213	11,814
374,781	252,375	252,375	122,406
10,604	12,250	12,250	(1,646)
227,294	252,197	260,513	(33,219)
1,069,620	1,359,225	1,727,888	(658,268)
1,501,803	1,610,000	1,649,762	(147,959)
8,444		6,354	2,090
496,083	534,333	594,939	(98,856)
<u>5,215,702</u>	<u>5,538,679</u>	<u>6,022,380</u>	<u>(806,678)</u>
796,156	770,817	822,487	26,331
396,103	470,175	476,025	79,922
460,626	736,467	552,959	92,333
59,686	209,500	161,000	101,314
318,686	396,391	400,671	81,985
1,946,432	774,282	1,954,640	8,208
1,236,174	1,404,140	2,152,582	916,408
1,151,424	1,461,689	1,254,849	103,425
<u>6,365,287</u>	<u>6,223,461</u>	<u>7,775,213</u>	<u>1,409,926</u>
(1,149,585)	(684,782)	(1,752,833)	603,248
<u>1,447,100</u>	<u>-</u>	<u>1,448,062</u>	<u>(962)</u>
297,515	(684,782)	(304,771)	602,286
<u>5,165,964</u>	<u>4,682,650</u>	<u>4,480,820</u>	<u>685,144</u>
<u>5,463,479</u>	<u>3,997,868</u>	<u>4,176,049</u>	<u>1,287,430</u>



City of Monticello

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 Funds 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 \$1,551,752. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

**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, 2005

	CEBA and Other Grants	Employee Benefits	Library Improvements	Earl F. Lehmann	Street Bonding	Special Cemetery Improvements	Revenue Family Aquatic Center Campaign
Receipts:							
Property tax	\$ -	175,009	-	-	-	-	-
Other city tax	-	7,833	-	-	-	-	-
Use of money and property	-	2,313	721	1	-	2,663	433
Intergovernmental	72,793	-	1,140	-	-	-	-
Miscellaneous	428	-	7,736	-	20,300	-	43,500
Total receipts	73,221	185,155	9,597	1	20,300	2,663	43,933
Disbursements:							
Operating:							
Public safety	-	116,850	-	-	-	-	-
Public works	-	31,294	-	-	20,300	-	-
Culture and recreation	-	25,729	11,534	-	-	58,550	-
Community and economic development	59,686	-	-	-	-	-	-
General government	-	24,098	-	-	-	-	-
Total disbursements	59,686	197,971	11,534	-	20,300	58,550	-
Excess (deficiency) of receipts over (under) disbursements	13,535	(12,816)	(1,937)	1	-	(55,887)	43,933
Other financing uses:							
Operating transfers out	-	-	-	-	-	-	(33,899)
Net change in cash balances	13,535	(12,816)	(1,937)	1	-	(55,887)	10,034
Cash balances beginning of year	(22,486)	126,402	39,549	222	300	115,230	20,574
Cash balances end of year	\$ (8,951)	113,586	37,612	223	300	59,343	30,608
<b>Cash Basis Fund Balances</b>							
Unreserved:							
Special revenue funds	\$ (8,951)	113,586	37,612	223	300	59,343	30,608
Permanent funds	-	-	-	-	-	-	-
Total cash basis fund balances	\$ (8,951)	113,586	37,612	223	300	59,343	30,608

See accompanying independent auditor's report.

Library Building	Riverside Gardeners, Inc.	Monticello Firefighters Organization, Inc.	Monticello Emergency Medical Team	Permanent			Total
				Cemetery Perpetual Care	Ioma M. Baker Library Trust	Charles S. Bidwell Book Trust	
-	-	-	-	-	-	-	175,009
-	-	-	-	-	-	-	7,833
811	113	2,468	4	-	538	5,390	15,455
-	-	-	-	-	-	-	73,933
-	8,750	34,536	19,128	3,437	-	-	137,815
811	8,863	37,004	19,132	3,437	538	5,390	410,045
-	-	23,779	19,863	-	-	-	160,492
-	-	-	-	-	-	-	51,594
-	4,182	-	-	-	459	3,974	104,428
-	-	-	-	-	-	-	59,686
-	-	-	-	-	-	-	24,098
-	4,182	23,779	19,863	-	459	3,974	400,298
811	4,681	13,225	(731)	3,437	79	1,416	9,747
-	-	-	-	-	-	-	(33,899)
811	4,681	13,225	(731)	3,437	79	1,416	(24,152)
55,019	7,961	140,239	12,727	106,717	46,898	95,527	744,879
55,830	12,642	153,464	11,996	110,154	46,977	96,943	720,727
55,830	12,642	153,464	11,996	-	-	-	466,653
-	-	-	-	110,154	46,977	96,943	254,074
55,830	12,642	153,464	11,996	110,154	46,977	96,943	720,727

City of Monticello  
Schedule of Indebtedness  
Year ended June 30, 2005

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:			
Streets, sidewalks, ambulance, water and sewer projects	Jan 1, 1997	4.875-5.250%	\$ 1,810,000
Corporate purpose and refunding	Mar 1, 2005	2.30-3.20	1,450,000
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			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
105,000	-	25,000	80,000	5,250
175,000	-	175,000	-	7,250
730,000	-	60,000	670,000	31,545
690,000	-	85,000	605,000	29,452
885,000	-	60,000	825,000	38,255
380,000	-	40,000	340,000	10,562
1,200,000	-	100,000	1,100,000	38,675
<b>\$ 4,165,000</b>	-	<b>545,000</b>	<b>3,620,000</b>	<b>160,989</b>
1,145,000	-	1,145,000	-	58,038
-	1,450,000	-	1,450,000	-
<b>\$ 1,145,000</b>	<b>1,450,000</b>	<b>1,145,000</b>	<b>1,450,000</b>	<b>58,038</b>
1,455,000	-	70,000	1,385,000	67,562
1,130,000	-	45,000	1,085,000	50,887
875,000	-	35,000	840,000	40,482
<b>\$ 3,460,000</b>	-	<b>150,000</b>	<b>3,310,000</b>	<b>158,931</b>
9,894	-	9,894	-	463
86,965	-	20,631	66,334	3,052
<b>\$ 96,859</b>	-	<b>30,525</b>	<b>66,334</b>	<b>3,515</b>

City of Monticello  
Bond and Note Maturities  
June 30, 2005

General Obligation Bonds									
Year Ending June 30,	Essential Corporate Purpose		Street Improvement		General Corporate Purpose		Urban Renewal		
	Issued Aug 1, 1993		Issued Dec 1, 1998		Issued May 1, 2001		Issued Aug 1, 2001		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2006	5.00%	\$ 25,000	4.10%	\$ 60,000	4.10%	\$ 90,000	3.90%	\$ 60,000	
2007	5.00	25,000	4.15	65,000	4.15	90,000	3.90	60,000	
2008	5.00	30,000	4.20	70,000	4.25	95,000	4.00	65,000	
2009	-	-	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>\$ 80,000</u>		<u>\$ 670,000</u>		<u>\$ 605,000</u>		<u>\$ 825,000</u>	

Revenue Bonds							
Year Ending June 30,	Sewer		Water		Sewer		Total
	Issued Dec 1, 1998		Issued Mar 15, 2002		Issued Mar 15, 2002		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2006	4.25%	\$ 70,000	3.40%	\$ 50,000	3.70%	\$ 35,000	\$ 155,000
2007	4.25	75,000	3.70	50,000	4.00	40,000	165,000
2008	4.25	80,000	3.90	50,000	4.10	40,000	170,000
2009	4.30	80,000	4.00	55,000	4.20	40,000	175,000
2010	4.40	85,000	4.15	55,000	4.30	45,000	185,000
2011	4.50	90,000	4.25	60,000	4.40	45,000	195,000
2012	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
2018	5.00	125,000	5.00	80,000	5.00	65,000	270,000
2019	5.00	135,000	5.00	85,000	5.05	65,000	285,000
2020	-	-	5.05	90,000	5.10	70,000	160,000
2021	-	-	5.10	95,000	5.10	75,000	170,000
Total		<u>\$1,385,000</u>		<u>\$1,085,000</u>		<u>\$ 840,000</u>	<u>3,310,000</u>

See accompanying independent auditor's report.

General						
Corporate Purpose			Urban Renewal			
Issued Aug 1, 2003			Issued May 1, 2004			
Interest Rates		Amount	Interest Rates		Amount	Total
1.85%	\$	35,000	1.75%	\$	100,000	370,000
2.25		40,000	2.10		100,000	380,000
2.55		40,000	2.50		100,000	400,000
2.85		40,000	2.80		100,000	380,000
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>\$ 340,000</u>			<u>\$1,100,000</u>	<u>3,620,000</u>

General Obligation Capital Loan Notes		
General Corporate Purpose and Refunding		
Issued Mar 1, 2005		
Year Ending June 30,	Interest	
	Rates	Amount
2006	2.30%	\$ 180,000
2007	2.50	195,000
2008	2.70	200,000
2009	2.85	205,000
2010	3.00	205,000
2011	3.10	210,000
2012	3.20	255,000
		<u>\$ 1,450,000</u>



**Schedule 4**

## City of Monticello

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

For the Last Three Years

	2005	2004	2003
Receipts:			
Property tax	\$ 974,046	975,086	1,055,907
Tax increment financing	553,027	486,288	344,043
Other city tax	374,781	313,289	283,326
Licenses and permits	10,604	14,209	16,339
Use of money and property	195,023	126,753	152,068
Intergovernmental	982,672	629,557	668,673
Charges for service	310,984	271,306	304,434
Special assessments	8,444	36,266	35,616
Miscellaneous	530,563	1,127,155	758,828
Total	\$ 3,940,144	3,979,909	3,619,234
Disbursements:			
Operating:			
Public safety	\$ 839,798	897,445	987,995
Public works	396,103	424,924	416,198
Culture and recreation	469,241	407,367	482,741
Community and economic development	59,686	140,512	75,215
General government	318,686	280,442	290,933
Debt service	1,946,432	621,260	788,965
Capital projects	1,236,174	2,182,544	1,186,191
Total	\$ 5,266,120	4,954,494	4,228,238

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the 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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 18, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monticello's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 condition described above to be a material weakness.

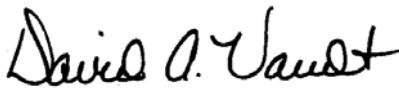
## Compliance and Other Matters

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 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 the accompanying Schedule of Findings.

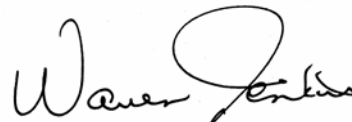
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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 18, 2005

City of Monticello

Schedule of Findings

Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

- (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 – We will continue to work with the Soldiers Memorial Board to try and integrate our accounting information into the City records.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2005

**Other Findings Related to 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, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- (3) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (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	\$ 630
Jerry Pasker, Planning and Zoning Board Member, Member/Owner of Netconnect	Services	2,429
Nick Sauser, Jr., Planning and Zoning Board Member, owner of Sauser’s Gas and Repair Shop	Services and supplies	5,653
Dave Lasley, Ambulance Board Member, Owner of Net Tech Consulting	Computer and installation	1,540

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 consult legal counsel on this.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2005

- (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 Bonds – No instances of non-compliance with the provisions of the water and sewer revenue bond indentures were noted.
- (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 been started. 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 donor. 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 and correct the donations.

Conclusion – Response accepted.

- (11) Financial Condition – At June 30, 2005, the City had a deficit balance in the Special Revenue, CEBA and Other Grants Fund of \$8,951.

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

Response – The City will look into this and take steps to correct. Future HUD grants money will correct this.

Conclusion – Response accepted.

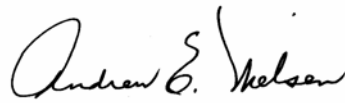
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City of Monticello

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Brandon J. Yuska, Assistant Auditor  
Dorothy O. Stover, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State