



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

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**NEWS RELEASE**

FOR RELEASE January 24, 2007

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 \$6,253,090 for the year ended June 30, 2006, a 7.2 percent decrease from 2005. The receipts included \$1,785,154 from charges for service, \$730,350 from operating grants, contributions and restricted interest, \$1,097,564 from capital grants, contributions and restricted interest, \$1,010,943 in property tax, \$611,546 from tax increment financing, \$219,538 from local option sales tax, \$207,872 from utility franchise tax, \$116,854 from unrestricted interest on investments, \$457,589 from bond proceeds and \$15,680 from other general receipts.

Disbursements for the year totaled \$7,757,012, a 20.9 percent increase over the prior year, and included \$3,575,064 for capital projects, \$937,287 for public safety and \$767,225 for debt service. Also, disbursements for business type activities totaled \$1,131,084. The significant increase in disbursements is due primarily to the library building project.

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, 2006**

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**City of Monticello**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2006)</b>		
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	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Douglas Herman	City Attorney	Indefinite
<b>(After January 2006)</b>		
Gerald Wilbricht	Mayor	Jan 2008
Reenie Breyer	Mayor Pro tem	Jan 2008
Dave Utter	Council Member	Jan 2008
Gerald Muller	Council Member	Jan 2008
Phil Kelchen	Council Member	Jan 2010
Jerry Welter	Council Member	Jan 2010
Dena Himes	Council Member	Jan 2010
Timothy Rhode	City Administrator	(Resigned)
Douglas Herman (appointed)	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Douglas Herman	Attorney	(Resigned)

**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, 2006, 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.

In our opinion, 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, 2006, 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 6, 2006 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 have 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 three years ended June 30, 2005 (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 6, 2006

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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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 13.9%, or approximately \$776,000, from fiscal year 2005 to 2006. The total cost of all governmental activities programs and services increased 25.8%, or approximately \$1,360,000. The decrease in receipts was primarily the result of a reduction in bond and loan proceeds in fiscal 2006 from fiscal 2005. The increase in disbursements was due primarily to the library project.
- The cost of all City governmental activities this year was approximately \$6,626,000, compared to \$5,266,000 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 \$4,234,000 because some of the cost was paid by those directly benefited from the programs (\$564,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,828,000).

### **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, readers 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, 4) the Capital Projects Fund and 5) the Permanent Funds. 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.

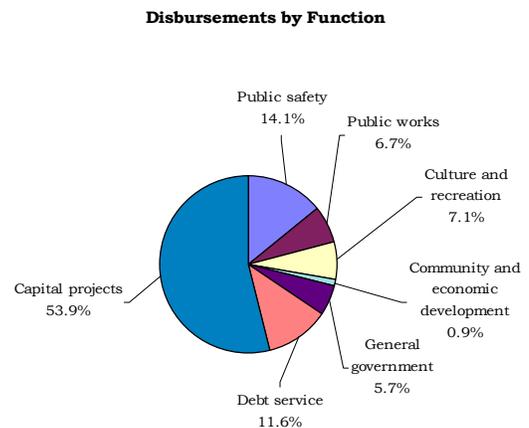
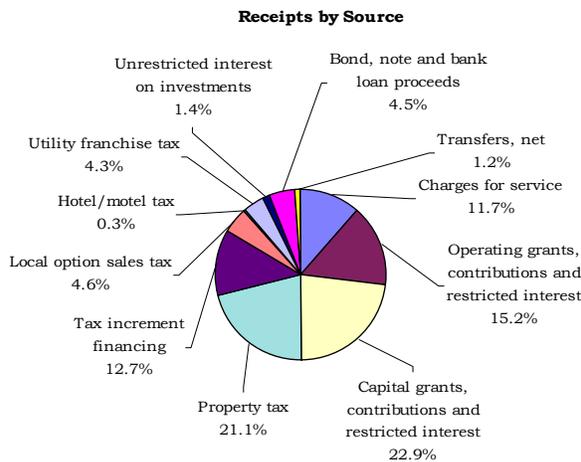
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, sanitation and local access channel operations.

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 basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 563,769	497,559
Operating grants, contributions and restricted interest	730,350	1,106,141
Capital grants, contributions and restricted interest	1,097,564	336,099
General receipts:		
Property tax	1,010,943	1,016,092
Tax increment financing	611,546	553,027
Local option sales tax	219,538	242,865
Hotel/motel tax	15,680	14,599
Utility franchise tax	207,872	56,300
Unrestricted interest on investments	67,346	54,883
Bond, note and bank loan proceeds	217,589	1,447,100
Other general receipts	-	62,579
Transfers, net	58,048	188,856
Total receipts and transfers	4,800,245	5,576,100
Disbursements:		
Public safety	937,287	839,798
Public works	443,983	396,103
Culture and recreation	467,947	469,241
Community and economic development	60,002	59,686
General government	374,420	318,686
Debt service	767,225	1,946,432
Capital projects	3,575,064	1,236,174
Total disbursements	6,625,928	5,266,120
Increase in cash basis net assets	(1,825,683)	309,980
Cash basis net assets beginning of year	4,640,315	4,330,335
Cash basis net assets end of year	\$ 2,814,632	4,640,315



The City's total receipts and transfers for governmental activities were \$4,800,245. The total cost of all programs and services was \$6,625,928. The \$1,825,683 difference in receipts and transfers under 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 2006.

The cost of all governmental activities this year was \$6,625,928 compared to \$5,266,120 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$4,234,245 because some of the cost was paid by those directly benefited from the programs (\$563,769) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,827,914).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 335,051	345,851
Sewer	495,022	495,112
Sanitation	391,312	380,846
Local Access Channel	-	381
Capital grants, contributions and restricted interest	-	95,461
General receipts:		
Unrestricted interest on investments	49,508	32,271
Bond proceeds	240,000	-
Total receipts	<u>1,510,893</u>	<u>1,349,922</u>
Disbursements and transfers:		
Water	299,717	351,443
Sewer	452,316	432,756
Sanitation	357,904	364,462
Local Access Channel	21,147	2,763
Transfers	58,048	188,856
Total disbursements and transfers	<u>1,189,132</u>	<u>1,340,280</u>
Increase in cash basis net assets	321,761	9,642
Cash basis net assets beginning of year	<u>1,255,340</u>	<u>1,245,698</u>
Cash basis net assets end of year	<u>\$ 1,577,101</u>	<u>1,255,340</u>

Total business type activities receipts for the fiscal year were \$1,510,893 compared to \$1,349,922 last year. Total disbursements and transfers for the fiscal year decreased to a total of \$1,189,132 compared to \$1,340,280 last year.

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

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$2,814,632, a decrease of approximately \$1,826,000 from last year's total of \$4,640,315. 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 decreased \$151,584 from the prior year to \$713,637. The City used available cash reserves on hand to finance activities for fiscal 2006.

- The Special Revenue, Road Use Tax Fund cash balance of \$468,630 did not change significantly from the prior year.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$46,020 from the prior year to \$165,114. This balance will be used to reduce related tax increment financing debt.
- The Debt Service Fund cash balance of \$95,323 did not change significantly from the prior year.
- The Capital Projects Fund cash balance of \$654,424 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 2006.

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

- The Water Fund cash balance increased by \$10,835 to \$325,917, due primarily to a rate increase during fiscal 2006.
- The Sewer Fund cash balance increased by \$310,822 to \$1,010,709, due primarily to the first year collection of storm water fees and unspent bond proceeds at June 30, 2006.
- The Sanitation Fund cash balance increased by \$41,804 to \$240,475, due primarily to the rate increase in fiscal 2005. 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 two times. The amendments were approved on November 7, 2005 and May 15, 2006. The amendments provided for additional disbursements for capital projects, debt service and certain City departments. The City issued general obligation corporate purpose bonds, received donations and had sufficient cash balances to absorb these additional costs.

The City's receipts were \$1,078,414 less than budgeted. This was primarily due to the City overestimating intergovernmental and miscellaneous receipts.

Total disbursements were \$1,207,056 less than the amended budget. The actual disbursements for the capital projects, culture and recreation and public works functions were \$840,887, \$97,160 and \$79,188, respectively, less than the amended budget. This was primarily due to anticipating more project activity than actually occurred, anticipating additional library staff hiring than we actually accomplished and routine street maintenance was delayed in order to prioritize capital projects.

#### **DEBT ADMINISTRATION**

At June 30, 2006, the City had \$8,179,971 in bonds and other long-term debt outstanding, compared to \$8,446,334 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
General obligation bonds	\$ 3,710,000	3,620,000
General obligation capital loan notes	1,270,000	1,450,000
Revenue notes	3,155,000	3,310,000
Bank loans	44,971	66,334
Total	\$ 8,179,971	8,446,334

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 \$5,024,971 is significantly below its constitutional debt limit of \$17.7 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Monticello's elected and appointed officials and department heads considered many factors when setting the fiscal year 2006 budget, tax rates and fees for various City activities.

The preparation of the 2007 fiscal year budget involves the integration of information and opinions by and between all department heads and the City Administrator. This process results in budget proposals that are presented to the City Council during a budget process that includes both regular and special Council meetings between the months of November and February.

The current fiscal 2007 budgeted disbursements, as amended, total \$6,734,478 while the total budgeted revenues total \$6,783,902. The status of the actual disbursements and receipts are regularly reviewed by staff to ensure the City is operating within the parameters of the budget. The City of Monticello levy is at \$8.10 per \$1,000 of taxable valuation, the same levy rate as fiscal 2006.

During the course of fiscal year 2007, the department heads and the City Administrator are actively seeking and considering options to cut expenses as a means of holding back future budgetary increases. When cost savings opportunities are identified, they are implemented. The cumulative effect of these cost savings will result in a noted reduction in future budgeted disbursements and/or a reduction in any necessary increases in disbursements. The focus of staff has been placed on disbursements, as opposed to receipts, due to the fact our revenue stream options are much more limited and, to some extent, out of our control. This does not mean additional revenue streams will not be pursued. The deletion or minimization of unnecessary disbursements is appropriate whether the City is revenue rich or poor.

The 2007 budget includes \$450,593 for proposed capital projects. The most notable budgeted capital improvements include the following: \$50,000 towards the beginning of city hall/community building renovations, \$173,593 in airport improvements and \$125,000 related to the construction of a joint Monticello School/City of Monticello Athletic Complex project. The airport improvements will be substantially offset by Federal funding.

## **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, 2006

	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	\$ 937,287	279,475	171,327	-
Public works	443,983	63,401	328,118	7,718
Culture and recreation	467,947	139,533	48,983	475,688
Community and economic development	60,002	5,500	71,138	-
General government	374,420	70,460	-	-
Debt service	767,225	-	8,156	-
Capital projects	3,575,064	5,400	102,628	614,158
Total governmental activities	6,625,928	563,769	730,350	1,097,564
Business type activities:				
Water	299,717	335,051	-	-
Sewer	452,316	495,022	-	-
Sanitation	357,904	391,312	-	-
Local Access Channel	21,147	-	-	-
Total business type activities	1,131,084	1,221,385	-	-
Total	\$ 7,757,012	1,785,154	730,350	1,097,564
<b>General 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				
Bond proceeds, net of \$2,411 discount				
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
(486,485)	-	(486,485)
(44,746)	-	(44,746)
196,257	-	196,257
16,636	-	16,636
(303,960)	-	(303,960)
(759,069)	-	(759,069)
(2,852,878)	-	(2,852,878)
(4,234,245)	-	(4,234,245)
-	35,334	35,334
-	42,706	42,706
-	33,408	33,408
-	(21,147)	(21,147)
-	90,301	90,301
(4,234,245)	90,301	(4,143,944)
744,348	-	744,348
611,546	-	611,546
266,595	-	266,595
219,538	-	219,538
15,680	-	15,680
207,872	-	207,872
67,346	49,508	116,854
217,589	240,000	457,589
58,048	(58,048)	-
2,408,562	231,460	2,640,022
(1,825,683)	321,761	(1,503,922)
4,640,315	1,255,340	5,895,655
\$ 2,814,632	1,577,101	4,391,733
\$ 468,630	-	468,630
165,114	-	165,114
95,323	425,782	521,105
256,801	-	256,801
654,424	239,225	893,649
460,703	-	460,703
713,637	912,094	1,625,731
\$ 2,814,632	1,577,101	4,391,733

City of Monticello

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

As of and for the year ended June 30, 2006

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 540,960	-	-
Tax increment financing	-	-	611,546
Other city tax	466,620	-	-
Licenses and permits	13,198	-	-
Use of money and property	159,202	-	10,334
Intergovernmental	96,844	302,667	-
Charges for service	348,270	-	-
Special assessments	-	-	-
Miscellaneous	100,941	-	-
Total receipts	1,726,035	302,667	621,880
<b>Disbursements:</b>			
Operating:			
Public safety	748,981	-	-
Public works	88,360	305,393	-
Culture and recreation	393,765	-	-
Community and economic development	-	-	-
General government	342,517	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,573,623	305,393	-
Excess (deficiency) of receipts over (under) disbursements	152,412	(2,726)	621,880
<b>Other financing sources (uses):</b>			
Bond proceeds (net of \$2,411 discount)	-	-	-
Operating transfers in	20,738	-	-
Operating transfers out	(324,734)	-	(667,900)
Total other financing sources (uses)	(303,996)	-	(667,900)
Net change in cash balances	(151,584)	(2,726)	(46,020)
Cash balances beginning of year	865,221	471,356	211,134
Cash balances end of year	\$ 713,637	468,630	165,114
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	713,637	-	-
Special revenue funds	-	468,630	165,114
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 713,637	468,630	165,114

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
257,719	-	172,288	970,967
-	-	-	611,546
8,875	-	7,573	483,068
-	-	-	13,198
8,157	17,006	40,380	235,079
-	246,974	71,054	717,539
-	5,400	-	353,670
-	102,812	-	102,812
-	349,995	585,793	1,036,729
274,751	722,187	877,088	4,524,608
-	-	188,306	937,287
-	-	50,230	443,983
-	-	74,182	467,947
-	-	60,002	60,002
-	-	31,903	374,420
767,225	-	-	767,225
-	3,575,064	-	3,575,064
767,225	3,575,064	404,623	6,625,928
(492,474)	(2,852,877)	472,465	(2,101,320)
-	217,589	-	217,589
494,630	2,182,599	-	2,697,967
-	-	(1,647,285)	(2,639,919)
494,630	2,400,188	(1,647,285)	275,637
2,156	(452,689)	(1,174,820)	(1,825,683)
93,167	1,107,113	1,892,324	4,640,315
95,323	654,424	717,504	2,814,632
95,323	-	-	95,323
-	-	-	713,637
-	-	460,703	1,094,447
-	654,424	-	654,424
-	-	256,801	256,801
95,323	654,424	717,504	2,814,632

City of Monticello

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

As of and for the year ended June 30, 2006

	Enterprise		
	Water	Sewer	Sanitation
Operating receipts:			
Charges for service	\$ 331,727	491,802	386,378
Miscellaneous	3,324	3,220	4,934
Total operating receipts	<u>335,051</u>	<u>495,022</u>	<u>391,312</u>
Operating disbursements:			
Business type activities	<u>199,880</u>	<u>242,736</u>	<u>357,904</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>135,171</u>	<u>252,286</u>	<u>33,408</u>
Non-operating receipts (disbursements):			
Interest on investments	12,811	28,116	8,396
Bond proceeds	-	240,000	-
Debt service	(99,837)	(209,580)	-
Total non-operating receipts (disbursements)	<u>(87,026)</u>	<u>58,536</u>	<u>8,396</u>
Excess (deficiency) of receipts over (under) disbursements	48,145	310,822	41,804
Operating transfers out	<u>(37,310)</u>	-	-
Net change in cash balances	10,835	310,822	41,804
Cash balances beginning of year	315,082	699,887	198,671
Cash balances end of year	<u>\$ 325,917</u>	<u>1,010,709</u>	<u>240,475</u>
<b>Cash Basis Fund Balances</b>			
Reserved for:			
Debt service	\$ 139,930	285,852	-
Capital improvements	-	239,225	-
Unreserved	<u>185,987</u>	<u>485,632</u>	<u>240,475</u>
Total cash basis fund balances	<u>\$ 325,917</u>	<u>1,010,709</u>	<u>240,475</u>

See notes to financial statements.

Nonmajor	
Local	
Access	
Channel	Total
-	1,209,907
-	11,478
-	1,221,385
21,147	821,667
(21,147)	399,718
185	49,508
-	240,000
-	(309,417)
185	(19,909)
(20,962)	379,809
(20,738)	(58,048)
(41,700)	321,761
41,700	1,255,340
-	1,577,101
-	425,782
-	239,225
-	912,094
-	1,577,101

City of Monticello

Notes to Financial Statements

June 30, 2006

**(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, 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.

#### 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 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, 2006, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 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
2007	\$ 420,000	147,914	195,000	36,938	165,000	147,448	780,000	332,300
2008	440,000	130,459	200,000	32,062	170,000	140,810	810,000	303,331
2009	420,000	114,311	205,000	26,662	175,000	133,820	800,000	274,793
2010	440,000	98,626	205,000	20,820	185,000	126,500	830,000	245,946
2011	460,000	81,616	210,000	14,670	195,000	118,542	865,000	214,828
2012 - 2016	1,530,000	178,982	255,000	8,160	1,120,000	451,132	2,905,000	638,274
2017 - 2021	-	-	-	-	1,145,000	158,458	1,145,000	158,458
Total	\$ 3,710,000	751,908	1,270,000	139,312	3,155,000	1,276,710	8,135,000	2,167,930

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, 2006 was \$44,971.

**(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, 2006, 2005 and 2004 were \$64,041, \$58,889 and \$58,562, 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, 2006, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 200
Vacation	12,600
Sick leave	86,300
Holiday	<u>1,600</u>
Total	<u>\$ 100,700</u>

This liability has been computed based on rates of pay in effect at June 30, 2006. 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 \$17,200 at June 30, 2006.

**(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 531 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, 2006 were \$107,121.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 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, 2006, 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 Commitments**

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, Airport fuel tank, Airport apron expansion, Heating, Ventilation, and Air Condition upgrades at City Hall and Airport hangar and Runway rehabilitation projects totaling \$4,612,045. At June 30, 2006, \$4,334,515 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, 2006 for the three tax increment financing agreements is not to exceed \$11,200. No amounts have been rebated as of June 30, 2006.

**(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, 2006, the City had advanced \$31,966 to the three local businesses and repayments totaling \$4,550 have been received.

**(10) 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.

**(11) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Local Access Channel	<u>\$ 20,738</u>
Debt Service	General	33,683
	Special Revenue:	
	Tax Increment Financing	19,597
	Library Building Capital Campaign	404,040
	Enterprise:	
	Water	<u>37,310</u>
		<u>494,630</u>
Capital Projects	General	291,051
	Special Revenue:	
	Tax Increment Financing	648,303
	Library Building Capital Campaign	<u>1,243,245</u>
		<u>2,182,599</u>
Total		<u>\$ 2,697,967</u>

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

**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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 970,967	-	-
Tax increment financing	611,546	-	-
Other city tax	483,068	-	-
Licenses and permits	13,198	-	-
Use of money and property	235,079	49,508	11,098
Intergovernmental	717,539	-	-
Charges for service	353,670	1,209,907	-
Special assessments	102,812	-	-
Miscellaneous	1,036,729	11,478	95,106
Total receipts	<u>4,524,608</u>	<u>1,270,893</u>	<u>106,204</u>
Disbursements:			
Public safety	937,287	-	69,134
Public works	443,983	-	-
Culture and recreation	467,947	-	13,631
Community and economic development	60,002	-	-
General government	374,420	-	-
Debt service	767,225	-	-
Capital projects	3,575,064	-	-
Business type activities	-	1,131,084	-
Total disbursements	<u>6,625,928</u>	<u>1,131,084</u>	<u>82,765</u>
Excess (deficiency) of receipts over (under) disbursements	(2,101,320)	139,809	23,439
Other financing sources (uses)	275,637	181,952	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,825,683)	321,761	23,439
Balances beginning of year	4,640,315	1,255,340	432,176
Balances end of year	<u>\$ 2,814,632</u>	<u>1,577,101</u>	<u>455,615</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
970,967	974,485	974,485	(3,518)
611,546	607,536	607,536	4,010
483,068	290,130	290,130	192,938
13,198	15,230	15,230	(2,032)
273,489	248,580	253,580	19,909
717,539	644,110	1,151,257	(433,718)
1,563,577	1,489,686	1,549,686	13,891
102,812	-	-	102,812
953,101	711,800	1,925,807	(972,706)
5,689,297	4,981,557	6,767,711	(1,078,414)
868,153	829,263	909,812	41,659
443,983	484,399	523,171	79,188
454,316	458,596	551,476	97,160
60,002	100,000	90,000	29,998
374,420	372,952	428,292	53,872
767,225	767,326	767,326	101
3,575,064	937,110	4,415,951	840,887
1,131,084	1,164,178	1,195,276	64,192
7,674,247	5,113,824	8,881,304	1,207,057
(1,984,950)	(132,267)	(2,113,593)	128,643
457,589	-	-	457,589
(1,527,361)	(132,267)	(2,113,593)	586,232
5,463,479	5,019,815	5,717,552	(254,073)
3,936,118	4,887,548	3,603,959	332,159

City of Monticello

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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. 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, two budget amendments increased budgeted disbursements by \$3,767,480. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

City of Monticello

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

As of and for the year ended June 30, 2006

	CEBA and Other Grants	Employee Benefits	Library Improvements	Earl F. Lehmann	Street Bonding	Special Cemetery Improvements	Revenue Family Aquatic Center Campaign
<b>Receipts:</b>							
Property tax	\$ -	172,288	-	-	-	-	-
Other city tax	-	7,573	-	-	-	-	-
Use of money and property	-	3,767	1,313	2	-	6,404	399
Intergovernmental	70,554	-	500	-	-	-	-
Miscellaneous	585	-	4,905	-	25,450	-	-
<b>Total receipts</b>	<b>71,139</b>	<b>183,628</b>	<b>6,718</b>	<b>2</b>	<b>25,450</b>	<b>6,404</b>	<b>399</b>
<b>Disbursements:</b>							
<b>Operating:</b>							
Public safety	-	119,172	-	-	-	-	-
Public works	-	29,780	-	-	20,450	-	-
Culture and recreation	-	25,611	10,073	-	-	24,867	-
Community and economic development	60,002	-	-	-	-	-	-
General government	-	31,903	-	-	-	-	-
<b>Total disbursements</b>	<b>60,002</b>	<b>206,466</b>	<b>10,073</b>	<b>-</b>	<b>20,450</b>	<b>24,867</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	11,137	(22,838)	(3,355)	2	5,000	(18,463)	399
<b>Other financing uses:</b>							
Operating transfers out	-	-	-	-	-	-	-
<b>Net change in cash balances</b>	<b>11,137</b>	<b>(22,838)</b>	<b>(3,355)</b>	<b>2</b>	<b>5,000</b>	<b>(18,463)</b>	<b>399</b>
Cash balances beginning of year	(8,951)	113,586	37,612	223	300	59,343	30,608
<b>Cash balances end of year</b>	<b>\$ 2,186</b>	<b>90,748</b>	<b>34,257</b>	<b>225</b>	<b>5,300</b>	<b>40,880</b>	<b>31,007</b>
<b>Cash Basis Fund Balances</b>							
<b>Unreserved:</b>							
Special revenue funds	\$ 2,186	90,748	34,257	225	5,300	40,880	31,007
Permanent funds	-	-	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 2,186</b>	<b>90,748</b>	<b>34,257</b>	<b>225</b>	<b>5,300</b>	<b>40,880</b>	<b>31,007</b>

See accompanying independent auditor's report.

Library Building	Library Building Capital Campaign	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	
-	-	-	-	-	-	-	-	172,288
-	-	-	-	-	-	-	-	7,573
1,456	15,941	219	4,046	34	-	1,983	4,816	40,380
-	-	-	-	-	-	-	-	71,054
-	459,747	9,525	55,620	26,843	3,118	-	-	585,793
1,456	475,688	9,744	59,666	26,877	3,118	1,983	4,816	877,088
-	-	-	46,913	22,221	-	-	-	188,306
-	-	-	-	-	-	-	-	50,230
-	-	6,441	-	-	-	4,581	2,609	74,182
-	-	-	-	-	-	-	-	60,002
-	-	-	-	-	-	-	-	31,903
-	-	6,441	46,913	22,221	-	4,581	2,609	404,623
1,456	475,688	3,303	12,753	4,656	3,118	(2,598)	2,207	472,465
-	(1,647,285)	-	-	-	-	-	-	(1,647,285)
1,456	(1,171,597)	3,303	12,753	4,656	3,118	(2,598)	2,207	(1,174,820)
55,830	1,171,597	12,642	153,464	11,996	110,154	46,977	96,943	1,892,324
57,286	-	15,945	166,217	16,652	113,272	44,379	99,150	717,504
57,286	-	15,945	166,217	16,652	-	-	-	460,703
-	-	-	-	-	113,272	44,379	99,150	256,801
57,286	-	15,945	166,217	16,652	113,272	44,379	99,150	717,504

City of Monticello  
Schedule of Indebtedness  
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Aug 1, 1993	5.00%	\$ 275,000
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
General corporate purpose	Apr 3, 2006	3.875-4.00	460,000
Total			
General obligation capital loan notes:			
Corporate purpose and refunding	Mar 1, 2005	2.30-3.20%	\$ 1,450,000
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 loan:			
Ambulance	Jul 29, 2003	3.50	\$ 86,965

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
80,000	-	25,000	55,000	4,000
670,000	-	60,000	610,000	29,115
605,000	-	90,000	515,000	26,053
825,000	-	60,000	765,000	35,915
340,000	-	35,000	305,000	9,962
1,100,000	-	100,000	1,000,000	34,450
-	460,000	-	460,000	-
<b>\$ 3,620,000</b>	<b>460,000</b>	<b>370,000</b>	<b>3,710,000</b>	<b>139,495</b>
1,450,000	-	180,000	1,270,000	51,347
1,385,000	-	70,000	1,315,000	64,588
1,085,000	-	50,000	1,035,000	49,537
840,000	-	35,000	805,000	39,292
<b>\$ 3,310,000</b>	<b>-</b>	<b>155,000</b>	<b>3,155,000</b>	<b>153,417</b>
66,334	-	21,363	44,971	2,320

City of Monticello  
 Bond and Note Maturities  
 June 30, 2006

General Obligation Bonds									
Year Ending June 30,	Essential Corporate Purpose Issued Aug 1, 1993		Street Improvement Issued Dec 1, 1998		General Corporate Purpose Issued May 1, 2001		Urban Renewal Issued Aug 1, 2001		Amount
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
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>\$ 55,000</u>		<u>\$ 610,000</u>		<u>\$ 515,000</u>		<u>\$ 765,000</u>	

Revenue Bonds								
Year Ending June 30,	Sewer Issued Dec 1, 1998		Water Issued Mar 15, 2002		Sewer Issued Mar 15, 2002		Total	Amount
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
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>\$ 1,315,000</u>		<u>\$ 1,035,000</u>		<u>\$ 805,000</u>	<u>3,155,000</u>	

See accompanying independent auditor's report.

General Corporate Purpose Issued Aug 1, 2003		Urban Renewal Issued May 1, 2004		General Corporate Purpose Issued Apr 3, 2006		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2.25%	\$ 40,000	2.10%	\$ 100,000	3.875%	\$ 40,000	420,000
2.55	40,000	2.50	100,000	3.875	40,000	440,000
2.85	40,000	2.80	100,000	3.875	40,000	420,000
3.15	45,000	3.00	100,000	3.875	40,000	440,000
3.30	45,000	3.25	100,000	3.875	45,000	460,000
3.45	45,000	3.50	100,000	3.875	50,000	350,000
3.16	50,000	3.70	100,000	3.875	50,000	365,000
	-	3.85	100,000	3.875	50,000	325,000
	-	4.00	100,000	3.875	50,000	240,000
	-	4.00	100,000	4.000	55,000	250,000
	<u>\$ 305,000</u>		<u>\$ 1,000,000</u>		<u>\$ 460,000</u>	<u>3,710,000</u>

General Obligation Capital Loan Notes		
General Corporate Purpose and Refunding Issued Mar 1, 2005		
Year Ending June 30,	Interest Rates	Amount
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>\$ 1,270,000</u>

**Schedule 4**

## City of Monticello

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

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property tax	\$ 970,967	974,046	975,086	1,055,907
Tax increment financing	611,546	553,027	486,288	344,043
Other city tax	483,068	374,781	313,289	283,326
Licenses and permits	13,198	10,604	14,209	16,339
Use of money and property	235,079	195,023	126,753	152,068
Intergovernmental	717,539	982,672	629,557	668,673
Charges for service	353,670	310,984	271,306	304,434
Special assessments	102,812	8,444	36,266	35,616
Miscellaneous	1,036,729	530,563	1,127,155	758,828
Total	\$ 4,524,608	3,940,144	3,979,909	3,619,234
Disbursements:				
Operating:				
Public safety	\$ 937,287	839,798	897,445	987,995
Public works	443,983	396,103	424,924	416,198
Culture and recreation	467,947	469,241	407,367	482,741
Community and economic development	60,002	59,686	140,512	75,215
General government	374,420	318,686	280,442	290,933
Debt service	767,225	1,946,432	621,260	788,965
Capital projects	3,575,064	1,236,174	2,182,544	1,186,191
Total	\$ 6,625,928	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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 6, 2006. Our report expressed unqualified opinions 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 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. The reportable conditions are 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 conditions described above to be material weaknesses.

Compliance and Other Matters

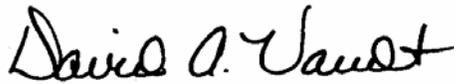
As part of obtaining reasonable assurance about whether the City of Monticello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which

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 an immaterial instance of non-compliance that is 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, 2006 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 6, 2006

City of Monticello

Schedule of Findings

Year ended June 30, 2006

**Findings Related to the Financial Statements:**

**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 will continue to work with the Soldiers Memorial Board to integrate their accounting information into the City's records.

Conclusion – Response accepted.

- (B) Monticello Renaissance Account – The Monticello Renaissance checking account was established, is separately maintained and is not accounted for on the City of Monticello financial 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 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." Internal control could be strengthened and operating efficiency could be increased by integrating the Renaissance Account receipts and disbursements with the City's accounting records in the City Clerk's office. Additionally, the receipt and disbursement activity should be included in the City's annual budget.

Response – The City will work with the Library Board to integrate this checking account and information into the City's records.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2006

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.
- (2) 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) 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	\$ 235
Jerry Pasker, Planning and Zoning Board Member, Member/Owner of Netconnect	Services	10,974
Nick Sauser, Jr., Planning and Zoning Board Member, owner of Sauser’s Gas and Repair Shop	Services and supplies	4,580
Terri and Tom Keleher, Library Board and Park and Recreation Board Members, respectively, owners of Keleher’s Jewelry	Supplies	135

The transactions with the Soldiers Memorial Board Member, Library Board and Park and Recreation Board members do not represent conflicts of interest in accordance with Chapter 362.5(10) of the Code of Iowa because the cumulative totals for each individual during the fiscal year were 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.

- (5) 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.

City of Monticello

Schedule of Findings

Year ended June 30, 2006

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) 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.
- (8) Revenue Bonds – No instances of non-compliance with the provisions of the water and sewer revenue bond indentures were noted.

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City of Monticello

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Dorothy O. Stover, Staff Auditor  
Patrick M. Garaghty, 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