



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

June 13, 2008

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 \$5,650,625 for the year ended June 30, 2007, a 9.6 percent decrease from 2006. The receipts included \$1,863,429 from charges for service, \$793,531 from operating grants, contributions and restricted interest, \$493,981 from capital grants, contributions and restricted interest, \$1,063,032 in property tax, \$737,067 from tax increment financing, \$247,964 from local option sales tax, \$230,990 from utility franchise tax, \$208,119 from unrestricted interest on investments and \$12,512 from other general receipts.

Disbursements for the year totaled \$5,425,890, a 30.1 percent decrease from the prior year, and included \$1,200,750 for public safety, \$826,855 for debt service and \$676,486 for public works. Also, disbursements for business type activities totaled \$1,215,647. The significant decrease in disbursements is due primarily to the Renaissance Center project being substantially completed in the previous fiscal year.

A copy of the audit 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, 2007**

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**City of Monticello**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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	(Resigned)
Jerry Welter	Council Member	Jan 2010
Dena Himes	Council Member	Jan 2010
Ron Newland (Appointed)	Council Member	Jan 2010
Douglas Herman	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Anne E. Loomis	Attorney	Indefinite

**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, 2007, 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.

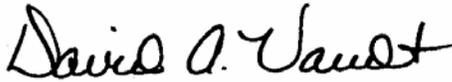
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2007, 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.

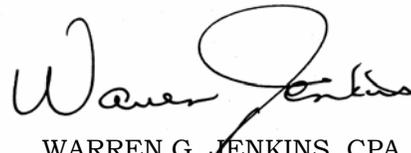
In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2008 on our consideration of the City of Monticello's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 28 through 30 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 year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also 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 due to 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

May 27, 2008

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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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 9.0%, or approximately \$429,000, from fiscal year 2006 to 2007. The total cost of all governmental activities programs and services decreased 36.5%, or approximately \$2,416,000. The decrease in receipts was primarily the result of a reduction in capital grants, contributions and restricted interest due to completion of the Renaissance Center in FY06. The decrease in disbursements was also due primarily to the substantial completion of the Renaissance Center in the prior year.
- The cost of all City governmental activities this year was approximately \$4,210,000, compared to \$6,626,000 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 \$2,309,000 because some of the cost was paid by those directly benefited from the programs (\$613,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,288,000).

### 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 and the City's indebtedness.

## **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 three Enterprise Funds to provide separate information for the water, sewer and sanitation operations.

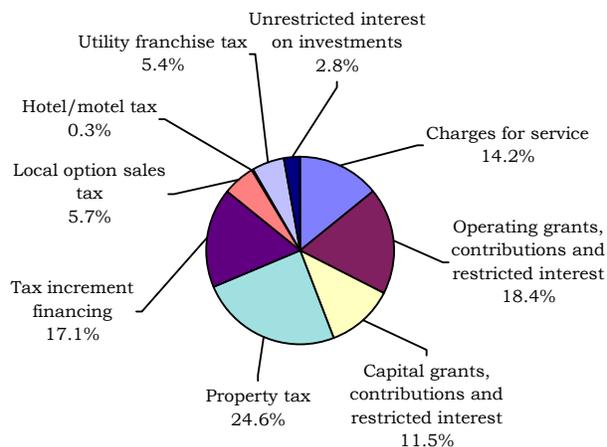
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

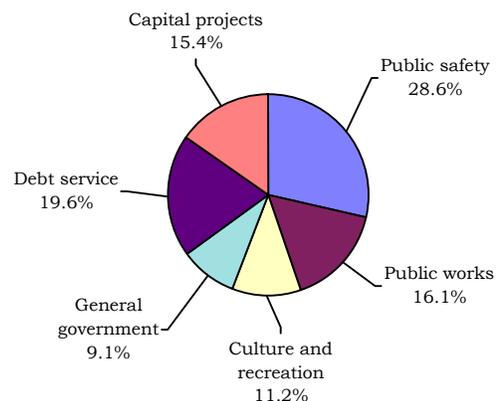
Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 613,330	563,769
Operating grants, contributions and restricted interest	793,531	730,350
Capital grants, contributions and restricted interest	493,981	1,097,564
General receipts:		
Property tax	1,063,032	1,010,943
Tax increment financing	737,067	611,546
Local option sales tax	247,964	219,538
Hotel/motel tax	12,512	15,680
Utility franchise tax	230,990	207,872
Unrestricted interest on investments	121,092	67,346
Bond proceeds	-	217,589
Total receipts and transfers	4,313,499	4,742,197
Disbursements:		
Public safety	1,200,750	937,287
Public works	676,486	443,983
Culture and recreation	473,385	467,947
Community and economic development	-	60,002
General government	383,815	374,420
Debt service	826,855	767,225
Capital projects	648,952	3,575,064
Total disbursements	4,210,243	6,625,928
Increase (decrease) in cash basis net assets before transfers	103,256	(1,883,731)
Transfers	68,401	58,048
Change in cash basis net assets	171,657	(1,825,683)
Cash basis net assets beginning of year	2,814,632	4,640,315
Cash basis net assets end of year	\$ 2,986,289	2,814,632

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 9.0%, or \$428,698. The total cost of all programs and services decreased \$2,415,685, or 36.46%, as a result of major capital improvements taking place last year. The major changes in receipts were a \$217,589 decrease in bond proceeds and a \$603,583 decrease in capital grants, contributions and restricted interest, offset by a \$125,521 increase in tax increment financing and a \$53,746 increase in unrestricted interest on investments.

The cost of all governmental activities this year was \$4,210,000 compared to \$6,625,928 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$2,309,401 because some of the cost was paid by those directly benefited from the programs (\$613,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,288,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 353,103	335,051
Sewer	517,423	495,022
Sanitation	379,573	391,312
General receipts:		
Unrestricted interest on investments	87,027	49,508
Bond proceeds	-	240,000
Total receipts	<u>1,337,126</u>	<u>1,510,893</u>
Disbursements:		
Water	292,791	299,717
Sewer	553,391	452,316
Sanitation	369,465	357,904
Local Access Channel	-	21,147
Total disbursements	<u>1,215,647</u>	<u>1,131,084</u>
Increase in cash basis net assets before transfers	121,479	379,809
Transfers	<u>(68,401)</u>	<u>(58,048)</u>
Change in cash basis net assets	53,078	321,761
Cash basis net assets beginning of year	<u>1,577,101</u>	<u>1,255,340</u>
Cash basis net assets end of year	<u>\$ 1,630,179</u>	<u>1,577,101</u>

Total business type activities receipts for the fiscal year were \$1,337,126 compared to \$1,510,893 last year. Total disbursements for the fiscal year increased to a total of \$1,215,647 compared to \$1,131,084 last year.

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

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$2,986,289, an increase of approximately \$172,000 from last year's total of \$2,814,632. 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 \$297,089 from the prior year to \$1,010,726. The City transferred \$291,035 less to other funds in fiscal year 2007.

- The Special Revenue, Road Use Tax Fund cash balance of \$221,727 decreased \$246,903 from the previous year. The decrease was a result of additional road work being done in the fiscal year ended June 30, 2007 over the previous fiscal year.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$318,234 from the prior year to \$483,348. This balance will be used to reduce related tax increment financing debt.
- The Debt Service Fund cash balance of \$86,902 did not change significantly from the prior year.
- The Capital Projects Fund cash balance of \$453,977 changed significantly from the prior year due to the continued construction of the Renaissance Center and other projects, such as the rehabilitation of the airport runway.

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

- The Water Fund cash balance increased \$42,936 to \$368,853, due primarily to a rate increase during fiscal 2007.
- The Sewer Fund cash balance decreased \$12,544 to \$998,165, due primarily to additional sewer plant work.
- The Sanitation Fund cash balance increased \$22,686 to \$263,161.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on January 15, 2007 and resulted in additional state and local grants and donations as well as increased disbursements for capital projects. The second amendment was approved May 30, 2007 to provide for additional ambulance revenue and library donations.

The City's receipts were \$150,164 more than budgeted. This was primarily due to the City underestimating intergovernmental and interest on investments.

Total disbursements were \$1,547,145 less than the amended budget. The actual disbursements for the capital projects, business type activities and public works functions were \$707,761, \$349,402 and \$188,462, respectively, less than the amended budget. This was primarily due to anticipating more project activity than actually occurred.

#### **DEBT ADMINISTRATION**

At June 30, 2007, the City had \$7,377,863 in bonds and other long-term debt outstanding, compared to \$8,179,971 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation bonds	\$ 3,290,000	3,710,000
General obligation capital loan notes	1,075,000	1,270,000
Revenue bonds	2,990,000	3,155,000
Bank loans	22,863	44,971
Total	\$ 7,377,863	8,179,971

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 \$4,387,863 is significantly below its constitutional debt limit of \$19 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 2008 budget, tax rates and fees for various City activities.

The preparation of the 2008 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 presented to the City Council during a budget process including both regular and special Council meetings between the months of November and February.

The current fiscal 2008 budgeted disbursements total \$7,052,029 while the total budgeted receipts total \$6,879,824. 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's levy is at \$8.10 per \$1,000 of taxable valuation, the same levy rate as fiscal 2007.

During the course of fiscal year 2008, 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 potential cost savings opportunities are identified, they are implemented. The cumulative effect of these cost savings will help to offset contractually obligated wage increases and hopefully maintain level or reduced overall spending. 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 2008 budget includes \$854,831 for proposed capital projects. The most notable budgeted capital improvements include the following: \$193,595 towards street projects, \$24,125 towards the continuation of city hall/community building renovations, \$289,737 in airport improvements, to be largely, if not wholly funded, with federal airport funding and \$75,000 related to the construction of a joint Monticello School/City of Monticello Athletic Complex project.

## **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, 2007

	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	\$ 1,200,750	329,598	147,253	-
Public works	676,486	93,022	301,292	-
Culture and recreation	473,385	132,224	302,919	433,923
Community and economic development	-	-	194	-
General government	383,815	56,386	-	-
Debt service	826,855	-	7,947	-
Capital projects	648,952	2,100	33,926	60,058
Total governmental activities	4,210,243	613,330	793,531	493,981
Business type activities:				
Water	292,791	353,103	-	-
Sewer	553,391	517,423	-	-
Sanitation	369,465	379,573	-	-
Total business type activities	1,215,647	1,250,099	-	-
Total	\$ 5,425,890	1,863,429	793,531	493,981
<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				
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
(723,899)	-	(723,899)
(282,172)	-	(282,172)
395,681	-	395,681
194	-	194
(327,429)	-	(327,429)
(818,908)	-	(818,908)
(552,868)	-	(552,868)
(2,309,401)	-	(2,309,401)
-	60,312	60,312
-	(35,968)	(35,968)
-	10,108	10,108
-	34,452	34,452
(2,309,401)	34,452	(2,274,949)
774,271	-	774,271
737,067	-	737,067
288,761	-	288,761
247,964	-	247,964
12,512	-	12,512
230,990	-	230,990
121,092	87,027	208,119
68,401	(68,401)	-
2,481,058	18,626	2,499,684
171,657	53,078	224,735
2,814,632	1,577,101	4,391,733
\$ 2,986,289	1,630,179	4,616,468
\$ 221,727	-	221,727
483,348	-	483,348
86,902	438,403	525,305
263,078	-	263,078
453,977	239,585	693,562
466,531	-	466,531
1,010,726	952,191	1,962,917
\$ 2,986,289	1,630,179	4,616,468

City of Monticello

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

As of and for the year ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 540,812	-	-
Tax increment financing	-	-	737,067
Other city tax	517,151	-	-
Licenses and permits	9,280	-	-
Use of money and property	206,128	-	793
Intergovernmental	93,256	301,292	-
Charges for service	406,100	-	-
Special assessments	-	-	-
Miscellaneous	83,118	-	-
Total receipts	<u>1,855,845</u>	<u>301,292</u>	<u>737,860</u>
<b>Disbursements:</b>			
Operating:			
Public safety	843,625	-	-
Public works	92,390	548,195	-
Culture and recreation	409,690	-	-
General government	348,620	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,694,325</u>	<u>548,195</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>161,520</u>	<u>(246,903)</u>	<u>737,860</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	169,268	-	-
Operating transfers out	(33,699)	-	(419,626)
Total other financing sources (uses)	<u>135,569</u>	<u>-</u>	<u>(419,626)</u>
Net change in cash balances	297,089	(246,903)	318,234
Cash balances beginning of year	<u>713,637</u>	<u>468,630</u>	<u>165,114</u>
Cash balances end of year	<u>\$ 1,010,726</u>	<u>221,727</u>	<u>483,348</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	1,010,726	-	-
Special revenue funds	-	221,727	483,348
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 1,010,726</u>	<u>221,727</u>	<u>483,348</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
279,026	-	198,255	1,018,093
-	-	-	737,067
9,735	-	9,519	536,405
-	-	-	9,280
7,947	20,363	30,883	266,114
-	45,410	400,751	840,709
-	9,399	-	415,499
-	14,647	-	14,647
-	6,264	386,303	475,685
296,708	96,083	1,025,711	4,313,499
-	-	357,125	1,200,750
-	-	35,901	676,486
-	-	63,695	473,385
-	-	35,195	383,815
826,855	-	-	826,855
-	648,952	-	648,952
826,855	648,952	491,916	4,210,243
(530,147)	(552,869)	533,795	103,256
521,726	521,690	-	1,212,684
-	(169,268)	(521,690)	(1,144,283)
521,726	352,422	(521,690)	68,401
(8,421)	(200,447)	12,105	171,657
95,323	654,424	717,504	2,814,632
86,902	453,977	729,609	2,986,289
86,902	-	-	86,902
-	-	-	1,010,726
-	-	466,531	1,171,606
-	453,977	-	453,977
-	-	263,078	263,078
86,902	453,977	729,609	2,986,289

**City of Monticello**

City of Monticello

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

As of and for the year ended June 30, 2007

	Enterprise			Total
	Water	Sewer	Sanitation	
Operating receipts:				
Charges for service	\$ 350,249	514,354	374,551	1,239,154
Miscellaneous	2,854	3,069	5,022	10,945
Total operating receipts	353,103	517,423	379,573	1,250,099
Operating disbursements:				
Business type activities	194,654	338,081	369,465	902,200
Excess (deficiency) of operating receipts over (under) operating disbursements	158,449	179,342	10,108	347,899
Non-operating receipts (disbursements):				
Interest on investments	19,618	54,831	12,578	87,027
Debt service	(98,137)	(215,310)	-	(313,447)
Total non-operating receipts (disbursements)	(78,519)	(160,479)	12,578	(226,420)
Excess of receipts over disbursements	79,930	18,863	22,686	121,479
Operating transfers out	(36,994)	(31,407)	-	(68,401)
Net change in cash balances	42,936	(12,544)	22,686	53,078
Cash balances beginning of year	325,917	1,010,709	240,475	1,577,101
Cash balances end of year	\$ 368,853	998,165	263,161	1,630,179
<b>Cash Basis Fund Balances</b>				
Reserved for:				
Debt service	\$ 143,704	294,699	-	438,403
Capital improvements	-	239,585	-	239,585
Unreserved	225,149	463,881	263,161	952,191
Total cash basis fund balances	\$ 368,853	998,165	263,161	1,630,179

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2007

**(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., Monticello Emergency Medical Team and the Monticello Friends of the Library (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.

The Monticello Friends of the Library 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 Friends of the Library 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 funds are aggregated and reported as nonmajor governmental 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, 2007, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 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		Revenue Bonds		Total	
	Bonds		Capital Loan					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	350,000	63,213	255,000	8,160	205,000	109,963	810,000	181,336
2013 - 2017	1,180,000	115,770	-	-	1,175,000	398,537	2,355,000	514,307
2018 - 2021	-	-	-	-	885,000	101,090	885,000	101,090
Total	\$3,290,000	603,995	1,075,000	102,374	2,990,000	1,129,262	7,355,000	1,835,631

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 accounts are unable 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. The 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, 2007 was \$22,863.

#### **(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, 2007, 2006 and 2005 were \$68,605, \$64,041 and \$58,889, 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, 2007, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 100
Vacation	10,800
Sick leave	84,600
Holiday	<u>1,500</u>
Total	<u>\$ 97,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2007. 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 \$11,800 at June 30, 2007.

**(6) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims 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 a Schoon Sewer construction project for \$189,503. No payments have been made as of June 30, 2007.

**(8) Commitments**

The City has entered into four 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, 2007 for the four tax increment financing agreements is not to exceed \$22,400. The City has rebated \$17,845 as of June 30, 2007.

**(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, 2007, the City had advanced \$31,966 to the three local businesses and repayments totaling \$7,299 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, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 169,268
Debt Service	General	33,699
	Special Revenue:	
	Tax Increment Financing	419,626
	Enterprise:	
	Water	36,994
	Sewer	31,407
		<u>521,726</u>
Capital Projects	Special Revenue:	
	Slavka Gehret Trust	43,677
	Library Building	45,527
	Library Building Capital Campaign	432,486
		<u>521,690</u>
Total		<u>\$ 1,212,684</u>

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

**(12) Subsequent Events**

In July 2007, the City approved an interest free Revolving Loan Agreement with a local business not to exceed \$10,000. The loan will be repaid in monthly installments beginning September 1, 2007 and extending through November 1, 2011.

In August 2007, the City accepted a bid of \$251,471 for airport taxiway rehabilitation and parking lot construction. In August 2007, the City approved spending up to \$50,000 for Athletic Complex improvements. In April 2008, the City accepted a bid of \$282,361 for street resurfacing. In May 2008, the City issued \$1,195,000 of sewer revenue refunding bonds to defease the sewer revenue bonds issued December 1, 1998. The City used available tax increment financing collections to call and redeem the remaining general obligation urban renewal bonds issued August 1, 2001.

**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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,018,093	-	-
Tax increment financing	737,067	-	-
Other city tax	534,957	-	-
Licenses and permits	9,280	-	-
Use of money and property	266,114	87,027	10,895
Intergovernmental	842,157	-	-
Charges for service	415,499	1,239,154	-
Special assessments	14,647	-	-
Miscellaneous	475,685	10,945	103,507
Total receipts	<u>4,313,499</u>	<u>1,337,126</u>	<u>114,402</u>
Disbursements:			
Public safety	1,200,750	-	228,685
Public works	676,486	-	-
Culture and recreation	473,385	-	12,581
Community and economic development	-	-	-
General government	383,815	-	-
Debt service	826,855	-	-
Capital projects	648,952	-	-
Business type activities	-	1,215,647	-
Total disbursements	<u>4,210,243</u>	<u>1,215,647</u>	<u>241,266</u>
Excess (deficiency) of receipts over (under) disbursements	103,256	121,479	(126,864)
Other financing sources (uses)	68,401	(68,401)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	171,657	53,078	(126,864)
Balances beginning of year	<u>2,814,632</u>	<u>1,577,101</u>	<u>455,615</u>
Balances end of year	<u>\$ 2,986,289</u>	<u>1,630,179</u>	<u>328,751</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,018,093	1,021,248	1,021,248	(3,155)
737,067	734,509	734,509	2,558
534,957	293,338	293,338	241,619
9,280	11,220	11,220	(1,940)
342,246	201,581	201,581	140,665
842,157	610,367	879,335	(37,178)
1,654,653	1,684,140	1,717,140	(62,487)
14,647	-	-	14,647
383,123	479,384	527,688	(144,565)
5,536,223	5,035,787	5,386,059	150,164
972,065	941,848	1,028,138	56,073
676,486	864,948	864,948	188,462
460,804	477,208	557,588	96,784
-	50,000	50,000	50,000
383,815	399,162	479,678	95,863
826,855	829,655	829,655	2,800
648,952	450,593	1,356,713	707,761
1,215,647	1,522,949	1,565,049	349,402
5,184,624	5,536,363	6,731,769	1,547,145
351,599	(500,576)	(1,345,710)	1,697,309
-	550,000	1,014,629	(1,014,629)
351,599	49,424	(331,081)	682,680
3,936,118	3,484,742	3,484,742	451,376
4,287,717	3,534,166	3,153,661	1,134,056

City of Monticello

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 \$1,195,406. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, 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, 2007

							Special
	CEBA and Other Grants	Employee Benefits	Library Improvements	Earl F. Lehmann	Street Bonding	Cemetery Improvements	Slavka Gehret Trust
<b>Receipts:</b>							
Property tax	\$ -	198,255	-	-	-	-	-
Other city tax	-	9,519	-	-	-	-	-
Use of money and property	-	4,258	1,662	2	-	5,866	4,651
Intergovernmental	194	-	557	-	-	-	-
Miscellaneous	-	-	17,805	-	-	6,055	227,876
Total receipts	194	212,032	20,024	2	-	11,921	232,527
<b>Disbursements:</b>							
Operating:							
Public safety	-	128,440	-	-	-	-	-
Public works	-	30,901	-	-	5,000	-	-
Culture and recreation	-	28,074	12,425	-	-	5,415	5,200
General government	-	35,195	-	-	-	-	-
Total disbursements	-	222,610	12,425	-	5,000	5,415	5,200
Excess (deficiency) of receipts over (under) disbursements	194	(10,578)	7,599	2	(5,000)	6,506	227,327
<b>Other financing uses:</b>							
Operating transfers out	-	-	-	-	-	-	(43,677)
Net change in cash balances	194	(10,578)	7,599	2	(5,000)	6,506	183,650
Cash balances beginning of year	2,186	90,748	34,257	225	5,300	40,880	-
Cash balances end of year	\$ 2,380	80,170	41,856	227	300	47,386	183,650
<b>Cash Basis Fund Balances</b>							
Unreserved:							
Special revenue funds	\$ 2,380	80,170	41,856	227	300	47,386	183,650
Permanent funds	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 2,380	80,170	41,856	227	300	47,386	183,650

See accompanying independent auditor's report.

**Schedule 1**

Revenue							Permanent				
Family Aquatic Center Campaign	Library Building	Library Building Capital Campaign	Riverside Gardeners, Inc.	Monticello Firefighters Organization, Inc.	Monticello Emergency Medical Team	Friends of the Monticello Public Library	Cemetery Perpetual Care	Ioma M. Baker Library Trust	Charles S. Bidwell Book Trust		Total
-	-	-	-	-	-	-	-	-	-	-	198,255
-	-	-	-	-	-	-	-	-	-	-	9,519
467	219	-	399	4,476	56	-	-	2,409	6,418	-	30,883
-	-	400,000	-	-	-	-	-	-	-	-	400,751
-	-	33,923	9,717	54,892	25,577	6,034	4,424	-	-	-	386,303
467	219	433,923	10,116	59,368	25,633	6,034	4,424	2,409	6,418	-	1,025,711
-	-	-	-	207,551	21,134	-	-	-	-	-	357,125
-	-	-	-	-	-	-	-	-	-	-	35,901
-	-	-	5,607	-	-	-	-	4,824	2,150	-	63,695
-	-	-	-	-	-	-	-	-	-	-	35,195
-	-	-	5,607	207,551	21,134	-	-	4,824	2,150	-	491,916
467	219	433,923	4,509	(148,183)	4,499	6,034	4,424	(2,415)	4,268	-	533,795
-	(45,527)	(432,486)	-	-	-	-	-	-	-	-	(521,690)
467	(45,308)	1,437	4,509	(148,183)	4,499	6,034	4,424	(2,415)	4,268	-	12,105
31,007	57,286	-	15,945	166,217	16,652	-	113,272	44,379	99,150	-	717,504
31,474	11,978	1,437	20,454	18,034	21,151	6,034	117,696	41,964	103,418	-	729,609
31,474	11,978	1,437	20,454	18,034	21,151	6,034	-	-	-	-	466,531
-	-	-	-	-	-	-	117,696	41,964	103,418	-	263,078
31,474	11,978	1,437	20,454	18,034	21,151	6,034	117,696	41,964	103,418	-	729,609

City of Monticello  
 Schedule of Indebtedness  
 Year ended June 30, 2007

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
55,000	-	25,000	30,000	2,750
610,000	-	65,000	545,000	26,655
515,000	-	90,000	425,000	22,362
765,000	-	60,000	705,000	33,575
305,000	-	40,000	265,000	9,315
1,000,000	-	100,000	900,000	32,700
460,000	-	40,000	420,000	20,777
<u>\$ 3,710,000</u>	-	420,000	3,290,000	148,134
<u>1,270,000</u>	-	195,000	1,075,000	36,937
1,315,000	-	75,000	1,240,000	61,612
1,035,000	-	50,000	985,000	47,837
805,000	-	40,000	765,000	37,997
<u>\$ 3,155,000</u>	-	165,000	2,990,000	147,446
<u>44,971</u>	-	22,108	22,863	1,575

City of Monticello  
 Bond and Note Maturities  
 June 30, 2007

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	
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>\$ 30,000</u>		<u>\$ 545,000</u>		<u>\$ 425,000</u>		<u>\$ 705,000</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		
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>\$1,240,000</u>		<u>\$ 985,000</u>		<u>\$ 765,000</u>	<u>2,990,000</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		
Interest		Interest		Interest		Total
Rates	Amount	Rates	Amount	Rates	Amount	
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>\$ 265,000</u>		<u>\$ 900,000</u>		<u>\$ 420,000</u>	<u>3,290,000</u>

General Obligation Capital Loan Notes		
Year Ending June 30,	General Corporate Purpose and Refunding Issued Mar 1, 2005	
	Interest Rates	Amount
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>\$ 1,075,000</u>

**Schedule 4**

## City of Monticello

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

For the Last Five Years

	2007	2006	2005	2004	2003
Receipts:					
Property tax	\$ 1,018,093	970,967	974,046	975,086	1,055,907
Tax increment financing	737,067	611,546	553,027	486,288	344,043
Other city tax	534,957	483,068	374,781	313,289	283,326
Licenses and permits	9,280	13,198	10,604	14,209	16,339
Use of money and property	266,114	235,079	195,023	126,753	152,068
Intergovernmental	842,157	717,539	982,672	629,557	668,673
Charges for service	415,499	353,670	310,984	271,306	304,434
Special assessments	14,647	102,812	8,444	36,266	35,616
Miscellaneous	475,685	1,036,729	530,563	1,127,155	758,828
Total	\$ 4,313,499	4,524,608	3,940,144	3,979,909	3,619,234
Disbursements:					
Operating:					
Public safety	\$ 1,200,750	937,287	839,798	897,445	987,995
Public works	676,486	443,983	396,103	424,924	416,198
Culture and recreation	473,385	467,947	469,241	407,367	482,741
Community and economic development	-	60,002	59,686	140,512	75,215
General government	383,815	374,420	318,686	280,442	290,933
Debt service	826,855	767,225	1,946,432	621,260	788,965
Capital projects	648,952	3,575,064	1,236,174	2,182,544	1,186,191
Total	\$ 4,210,243	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**

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Auditor of State

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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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 27, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Monticello's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monticello's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Monticello's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Monticello's financial statements that is more than inconsequential will not be prevented or detected by the City of Monticello's internal control. We considered the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Monticello's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies 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 immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

The City of Monticello's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Monticello's responses and, accordingly, we express no opinion on them.

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

May 27, 2008

City of Monticello

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Payroll – Salaried employees are responsible to account for their own vacation and sick leave balances. Additionally, not all time card/time sheets for volunteer ambulance staff were approved by a supervisor.

Recommendation – All employee vacation and sick leave earned and used should be accounted for through the payroll system. All City employees should keep time cards/time sheets to support the actual hours worked. Additionally all time cards/time sheets should be reviewed and approved by a department head and/or supervisor.

Response – The City will consult with our software company to see what is needed to implement this.

Conclusion – Response accepted.

- (B) 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 to have the Soldiers Memorial Board change their practices.

Conclusion – Response acknowledged. The Soldiers Memorial Board Maintenance Account receipts and disbursements should be integrated with the City's accounting records.

**INSTANCES OF NON-COMPLIANCE:**

A special investigation of the City is being performed by the Office of Auditor of State covering the period July 1, 2006 through June 30, 2007 relating to the ambulance service.

City of Monticello

Schedule of Findings

Year ended June 30, 2007

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 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	\$ 186
Jerry Pasker, Planning and Zoning Board Member, Member/Owner of Netconnect	Services	3,108
Nick Sauser, Jr., Planning and Zoning Board Member, owner of Sauser’s Gas and Repair Shop	Services and supplies	4,396
Doug Herman, City Administrator, Owner of Java Jones	Services	36
Dave Savage and Steve Edwards, Airport Board and Fire Board Member, respectively, Owner and Employee, respectively, of Insurance Associates, Inc	Insurance, per bid	62,692

The transactions with the Soldiers Memorial Board Member and the City Administrator 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.

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Insurance Associates, Inc. does not represent a conflict of interest since it was competitively bid.

The remaining 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 regarding this matter.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2007

- (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.
- (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.

The City's investment policy refers to Chapter 452 of the Code of Iowa instead of Chapter 12B.

Recommendation – The City's investment policy should be reviewed and should be amended to refer to Chapter 12B of the Code of Iowa.

Response – The City Administrator will prepare a resolution for the City Council to adopt correcting the inaccurate reference to Chapter 452 of the Code of Iowa.

Conclusion – Response accepted.

- (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:

Ernest H. Ruben, Jr., CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Gelu Sherpa, Assistant Auditor  
Kristin M. Ockenfels, Auditor Intern

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State