



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

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**NEWS RELEASE**

FOR RELEASE

April 13, 2009

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 \$6,730,330 for the year ended June 30, 2008, a 19 percent increase over 2007. The receipts included \$1,936,038 from charges for service, \$668,392 from operating grants, contributions and restricted interest, \$434,622 from capital grants, contributions and restricted interest, \$1,074,295 in property tax, \$736,987 from tax increment financing, \$273,109 from local option sales tax, \$221,448 from utility franchise tax, \$185,280 from unrestricted interest on investments, \$1,187,830 from bond proceeds and \$12,329 from other general receipts.

Disbursements for the year totaled \$6,025,577, an 11 percent increase over the prior year, and included \$1,329,544 for debt service, \$1,274,907 for public safety and \$549,814 for culture and recreation. Also, disbursements for business type activities totaled \$1,510,457.

The significant increase in receipts and disbursements is due primarily to receiving sewer refunding bond proceeds, the early repayment of sewer revenue and urban renewal general obligation bonds, disbursements for sewer capital projects and the purchase of a garbage truck.

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, 2008**

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## City of Monticello

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</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
Jerry Welter	Council Member	Jan 2010
Dena Himes	Council Member	Jan 2010
Ron Newland	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
<b>(After January 2008)</b>		
Don Ho Miyagawa	Mayor	Jan 2010
Ron Newland	Mayor Pro tem	Jan 2010
Dena Himes	Council Member	Jan 2010
Jerry Welter	Council Member	Jan 2010
Russell Hodge	Council Member	Jan 2012
Gregg Merfeld	Council Member	Jan 2012
Gerald Muller	Council Member	Jan 2012
Douglas Herman	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Anne E. Loomis	Attorney	Indefinite

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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, 2008, 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, 2008, 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 March 19, 2009 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 14 and 32 through 34 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 two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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, which were prepared in conformity with an other comprehensive basis of accounting, 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

March 19, 2009

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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 2.1%, or approximately \$91,000, from fiscal year 2007 to 2008. The total cost of all governmental activities programs and services increased 7.2%, or approximately \$305,000. The decrease in receipts was primarily the result of a reduction in operating grants, contributions and restricted interest. The increase in disbursements was due primarily to an increase in debt service as a result of the early repayment of urban renewal general obligation bonds.
- The cost of all City governmental activities this year was approximately \$4,515,000, compared to approximately \$4,210,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$2,724,000 because some of the cost was paid by those directly benefited from the programs (\$689,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,103,000).

### **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 water, sewer and sanitation operations.

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

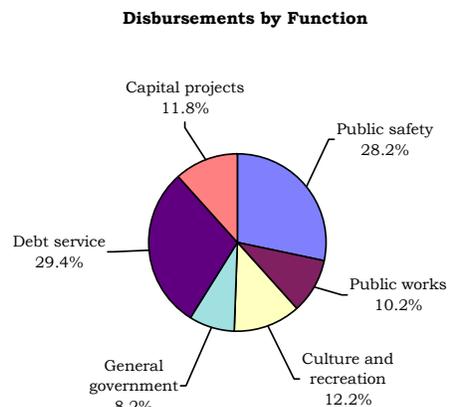
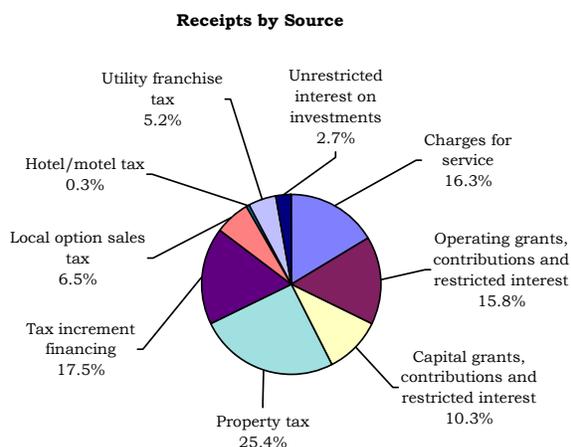
3) The Fiduciary Fund accounts for resources held for others. The Fiduciary Fund consists of an Agency, Flexible Benefits Fund.

The required financial statement for the Fiduciary Fund is a statement of changes in fiduciary assets and liabilities.

## 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,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 688,563	613,330
Operating grants, contributions and restricted interest	668,392	793,531
Capital grants, contributions and restricted interest	434,622	493,981
General receipts:		
Property tax	1,074,295	1,063,032
Tax increment financing	736,987	737,067
Local option sales tax	273,109	247,964
Hotel/motel tax	12,329	12,512
Utility franchise tax	221,448	230,990
Unrestricted interest on investments	112,522	121,092
<b>Total receipts</b>	<b>4,222,267</b>	<b>4,313,499</b>
Disbursements:		
Public safety	1,274,907	1,200,750
Public works	459,982	676,486
Culture and recreation	549,814	473,385
General government	368,391	383,815
Debt service	1,329,544	826,855
Capital projects	532,482	648,952
<b>Total disbursements</b>	<b>4,515,120</b>	<b>4,210,243</b>
Increase (decrease) in cash basis net assets before transfers	(292,853)	103,256
Transfers, net	97,664	68,401
<b>Change in cash basis net assets</b>	<b>(195,189)</b>	<b>171,657</b>
Cash basis net assets beginning of year	2,986,289	2,814,632
<b>Cash basis net assets end of year</b>	<b>\$ 2,791,100</b>	<b>2,986,289</b>



The City's total receipts for governmental activities decreased 2.1%, or \$91,232. The total cost of all governmental programs and services increased \$304,877, or 7.2%, primarily due to an increase in debt service as a result of the early repayment of urban renewal general obligation bonds in FY08. The major changes in receipts were a \$125,139 decrease in operating grants, contributions and restricted interest and a \$59,359 decrease in capital grants, contributions and restricted interest, offset by a \$75,233 increase in charges for service and a \$25,145 increase in local option sales tax.

The cost of all governmental activities this year was approximately \$4,515,000 compared to approximately \$4,210,000 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only approximately \$2,724,000 because some of the cost was paid by those directly benefited from the programs (\$689,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,103,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 351,347	353,103
Sewer	522,794	517,423
Sanitation	373,334	379,573
General receipts:		
Unrestricted interest on investments	72,758	87,027
Bond proceeds	1,187,830	-
Total receipts	<u>2,508,063</u>	<u>1,337,126</u>
Disbursements:		
Water	299,913	292,791
Sewer	751,163	553,391
Sanitation	459,381	369,465
Total disbursements	<u>1,510,457</u>	<u>1,215,647</u>
Increase in cash basis net assets before transfers and refunded bonds	997,606	121,479
Transfers	(97,664)	(68,401)
Sewer revenue bonds refunded	<u>(1,160,000)</u>	-
Change in cash basis net assets	(260,058)	53,078
Cash basis net assets beginning of year	<u>1,630,179</u>	<u>1,577,101</u>
Cash basis net assets end of year	<u>\$ 1,370,121</u>	<u>1,630,179</u>

Total business type activities receipts for the fiscal year were \$2,508,063 compared to \$1,337,126 last year. Total disbursements for the fiscal year increased to a total of \$1,510,457 compared to \$1,215,647 last year. The increase in receipts was due primarily to bond proceeds received as a result of issuance of \$1,195,000 of sewer revenue refunding bonds. The increase in disbursements was due to a sewer extension project and the purchase of a garbage truck. In addition, the City refunded \$1,160,000 of the sewer revenue bonds issued December 1, 1998.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$2,791,100, a decrease of approximately \$195,000 from last year's total of \$2,986,289. 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 approximately \$61,000 from the prior year to \$1,072,094. The increase was the cumulative effect of changes in receipts, disbursements and net transfers for fiscal year 2008. Charges for service receipts increased \$58,750 as a result of increased ambulance receipts and intergovernmental receipts increased \$16,406. Public safety function disbursements increased \$103,722 due to ambulance equipment purchases and increased personnel costs for the police department. Culture and recreation function disbursements increased due to painting the aquatic center, increased personnel costs for the library and the local access channel. Net transfers to/from the General Fund decreased \$179,502 to (\$43,933) for the fiscal year 2008.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$62,139 to \$159,588 at June 30, 2008. The decrease was primarily due to a \$45,542 transfer to the Capital Projects Fund during the year.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$185,834 from the prior year to \$297,514. The decrease was primarily a result of increased transfers to the Debt Service Fund to repay urban renewal general obligation bonds.
- The Debt Service Fund cash balance decreased \$19,432 from the previous year to \$67,470. The decrease was due primarily to a decrease in receipts.
- The Capital Projects Fund cash balance increased \$34,136 from the prior year to \$488,113. The City continued construction of the airport parking lot and other smaller projects, such as athletic complex improvements and street projects.

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

- The Water Fund cash balance increased \$2,375 to \$371,228.
- The Sewer Fund cash balance decreased \$186,926 to \$811,239, due primarily to a sewer extension project.
- The Sanitation Fund cash balance decreased \$75,507 to \$187,654, due primarily to equipment costs.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2008 and resulted in an increase in operating disbursements related to cost overruns of approximately \$1,250,000 and \$500,000 on business type activities and debt service respectively. The increase in the business type activities budget was for refunding the sewer revenue bonds issued December 1, 1998. The increase in the debt service budget was for the early repayment of urban renewal general obligation bonds issued August 1, 2001. The City issued \$1,195,000 of sewer revenue refunding bonds to retire the sewer revenue bonds.

The City's receipts were \$256,961 less than budgeted. This was primarily due to the City overestimating charges for service and miscellaneous receipts.

Total disbursements were \$1,878,979 less than the amended budget. Actual disbursements for public works, capital projects and business type activities were \$140,634, \$215,524 and \$1,371,434, respectively, less than the amended budget. This was primarily due to anticipating more project activity than actually occurred and the City budgeted for the refunding of the sewer revenue bonds, which is a non-budgetary item reported as an other financing use.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$6,080,000 in bonds and other long-term debt outstanding, compared to \$7,377,863 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2008	2007
General obligation bonds	\$ 2,350,000	3,290,000
General obligation capital loan notes	875,000	1,075,000
Revenue bonds	2,855,000	2,990,000
Bank loans	-	22,863
Total	\$ 6,080,000	7,377,863

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 \$3,225,000 is significantly below its constitutional debt limit of approximately \$8 million.

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

The budgeting process included meetings and conversations by and between the City Administrator and the various department heads followed by regular public meetings and work sessions with the City Council. Throughout the year, a constant analysis of ongoing expenditures is undertaken with an eye towards operating more efficiently so unavoidable cost increases, largely in the categories of wages and benefits, can be offset by a reduction in day-to-day "discretionary" operating expenses. The focus of staff has been 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. Substantial savings have been realized in the categories of insurance and telephone expenses, and steps have been taken to minimize overtime as well. When potential cost savings opportunities are identified, they are implemented.

The City tax rate is best described as a three-legged stool comprised of the \$8.10 General Fund levy, the debt service levy and the employee benefits levy. The funds generated by the \$8.10 levy are used to support the following departments: police, aquatic center, cemetery, airport, administration, engineer, attorney and appropriations to the library, Berndes Center, fire department and other miscellaneous categories. This is not to say many of the above departments do not also generate their own revenue streams. For example, it is not atypical for the Airport to generate receipts that meet or exceed disbursements and these receipts are included in General Fund receipts. The debt service levy is determined by the amount of debt payments to be made by the City for general obligation debt. Based upon the refinancing and early repayment of certain general obligation debt in FY07 and FY08, the City debt service levy will go down in the coming year. The employee benefits levy is based upon the cost of paying contractually or statutorily mandated employee benefits, such as insurance, retirement account contributions, social security/Medicare, etc. The employee benefits levy is probably the most volatile. However, due to restructuring the ambulance department as its own fund, as more fully explained below, most ambulance employee "benefits" will be taken from ambulance revenues and will not be levied for as part of the employee benefits levy.

The most substantial impact on the budget will be recognized in the City ambulance department. The ambulance department had been accounted for as a General Fund account. What this means is that all ambulance department disbursements were paid from the General Fund and all ambulance department receipts were deposited in the General Fund.

In the five years preceding the current fiscal year, ambulance department disbursements have exceeded receipts in excess of \$316,000. This figure would be closer to \$400,000 if the City of Hopkinton and Delaware/Jones County township investments had not been deposited directly into the General Fund during those years. Effective FY09, the ambulance department budget has been removed from the General Fund and set up as a sub-fund within the General Fund. The FY09 ambulance department budget, as approved, is balanced. As there have been many changes to the operations and management of the ambulance department since FY08, the proposed budget, while based upon many known facts, is also based upon certain assumptions. Whether or not the ambulance department meets its budgeted revenue projections and operates within its budgeted expenses will depend upon the regularity of call volume, i.e. the number of ambulance calls for which the City receives revenues, and the need for updating and/or replacement of outdated and/or unsafe equipment. Since November of 2007, the ambulance department has purchased two new cots at an approximate cost of \$10,000, a heart monitor at an approximate cost of \$19,500 and has ordered a new ambulance at an approximate cost of \$125,900. It is the budgeting and business goal of the City to manage the ambulance department in such a fashion that revenues equal or exceed expenses.

In addition to careful management of daily expenses and a review of all areas within which savings may be realized, the City of Monticello's elected and appointed officials and department heads also consider many other factors in preparing the annual budget. Important factors include necessary infrastructure additions or improvements, equipment updates and/or replacements and investment in other projects and/or ventures deemed by the City Council to be in the best interest of the City.

The current FY09 budgeted expenditures total \$12,612,457 while budgeted revenues total \$12,286,074. 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 General Fund levy is \$8.10 per \$1,000 of taxable valuation, the same levy rate as FY07 and FY08.

The FY09 budget includes \$5,178,000 for proposed capital projects, including capital projects funded by debt proceeds to be repaid through the City's debt service levy and tax increment financing revenues. The most notable budgeted capital improvements include the following: \$877,000 related to the childcare project, \$600,000 related to the public safety building and \$2,800,000 related to street projects.

Two new funds recently set up by the City include the Ambulance Improvements Fund and the Insurance Fund. The Ambulance Improvements Fund, established in FY08, is funded with donations to the City ambulance department and the annual investments made in the ambulance department by the City of Hopkinton and various townships in Jones and Delaware Counties. A set-aside, such as this, has not existed for a number of years. The benefit of such a fund is that it will allow for the annual accumulation of funds towards planned capital expenditures, thereby avoiding the pressure that would be placed upon a single FY budget that would otherwise have to support 100% of the funds required for necessary capital expenditures.

The Insurance Fund was established in FY09 with funds received by the City from ICAP, the City's prior insurance carrier, representing funds the City was entitled to based upon contractual language in the City's prior insurance contract with ICAP. Many department budgets within the City contain a self insurance line item. This line item is necessary as the City buys a higher deductible health insurance policy than is required to be provided to employees under the collective bargaining agreement/union contract. The City's experience with "self-insuring" over the past few years has been positive. The amount expended to self-insure a portion of the benefits employees are entitled to has been far less than what the City would have expended to purchase

the required level of insurance. At the end of FY09, the City plans to transfer any funds budgeted for self-insurance purposes that have not been spent to the Insurance Fund. It is the intent of staff and Council to allow this fund to grow for a number of years, eventually providing the City with a comfortable cushion allowing even more flexibility in choosing what policies to purchase and what level of self-insurance to take on.

Administration and Council will continue to be proactive in seeking to maintain a handle on expenses while exploring all appropriate revenue generating options. It is recognized by Administration and Council the community cannot be allowed to become stagnant. A continued proactive and progressive approach to infrastructure management and smart community growth is vital to the long-term viability of the community, and the Council will take those measured steps necessary to ensure Monticello is an attractive location for families and business for years to come.

### **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, 2008

	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	\$ 1,274,907	383,537	252,970	-
Public works	459,982	91,548	326,941	-
Culture and recreation	549,814	161,652	60,208	1,169
Community and economic development	-	-	194	-
General government	368,391	49,726	-	-
Debt service	1,329,544	-	6,486	-
Capital projects	532,482	2,100	21,593	433,453
Total governmental activities	4,515,120	688,563	668,392	434,622
Business type activities:				
Water	299,913	351,347	-	-
Sewer	751,163	522,794	-	-
Sanitation	459,381	373,334	-	-
Total business type activities	1,510,457	1,247,475	-	-
Total	\$ 6,025,577	1,936,038	668,392	434,622
<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				
Transfers				
Sewer revenue bonds refunded				
Total general receipts, transfers and refunded bonds				
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 fund purposes				
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
(638,400)	-	(638,400)
(41,493)	-	(41,493)
(326,785)	-	(326,785)
194	-	194
(318,665)	-	(318,665)
(1,323,058)	-	(1,323,058)
(75,336)	-	(75,336)
(2,723,543)	-	(2,723,543)
-	51,434	51,434
-	(228,369)	(228,369)
-	(86,047)	(86,047)
-	(262,982)	(262,982)
(2,723,543)	(262,982)	(2,986,525)
793,955	-	793,955
736,987	-	736,987
280,340	-	280,340
273,109	-	273,109
12,329	-	12,329
221,448	-	221,448
112,522	72,758	185,280
-	1,187,830	1,187,830
97,664	(97,664)	-
-	(1,160,000)	(1,160,000)
2,528,354	2,924	2,531,278
(195,189)	(260,058)	(455,247)
2,986,289	1,630,179	4,616,468
\$ 2,791,100	1,370,121	4,161,221
\$ 159,588	-	159,588
297,514	-	297,514
67,470	448,194	515,664
257,111	-	257,111
488,113	6,311	494,424
449,210	-	449,210
1,072,094	915,616	1,987,710
\$ 2,791,100	1,370,121	4,161,221

City of Monticello

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 547,908	-	-
Tax increment financing	-	-	736,987
Other city tax	531,560	-	-
Licenses and permits	13,726	-	-
Use of money and property	209,632	-	-
Intergovernmental	109,662	309,707	-
Charges for service	464,850	-	-
Special assessments	-	-	-
Miscellaneous	84,517	-	-
Total receipts	<u>1,961,855</u>	<u>309,707</u>	<u>736,987</u>
<b>Disbursements:</b>			
Operating:			
Public safety	947,347	-	-
Public works	100,333	326,304	-
Culture and recreation	470,652	-	-
General government	338,222	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,856,554</u>	<u>326,304</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>105,301</u>	<u>(16,597)</u>	<u>736,987</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	12,683	-	-
Operating transfers out	(56,616)	(45,542)	(922,821)
Total other financing sources (uses)	<u>(43,933)</u>	<u>(45,542)</u>	<u>(922,821)</u>
Net change in cash balances	61,368	(62,139)	(185,834)
Cash balances beginning of year	<u>1,010,726</u>	<u>221,727</u>	<u>483,348</u>
Cash balances end of year	<u>\$ 1,072,094</u>	<u>159,588</u>	<u>297,514</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	1,072,094	-	-
Special revenue funds	-	159,588	297,514
Capital projects fund	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 1,072,094</u>	<u>159,588</u>	<u>297,514</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
271,388	-	211,740	1,031,036
-	-	-	736,987
8,952	-	9,633	550,145
-	-	-	13,726
6,486	9,757	27,272	253,147
-	426,070	319	845,758
-	11,451	-	476,301
-	7,383	-	7,383
-	2,485	194,782	281,784
286,826	457,146	443,746	4,196,267
-	-	301,560	1,248,907
-	-	33,345	459,982
-	-	79,162	549,814
-	-	30,169	368,391
1,329,544	-	-	1,329,544
-	532,482	-	532,482
1,329,544	532,482	444,236	4,489,120
(1,042,718)	(75,336)	(490)	(292,853)
1,023,286	109,472	-	1,145,441
-	-	(22,798)	(1,047,777)
1,023,286	109,472	(22,798)	97,664
(19,432)	34,136	(23,288)	(195,189)
86,902	453,977	729,609	2,986,289
67,470	488,113	706,321	2,791,100
67,470	-	-	67,470
-	-	-	1,072,094
-	-	449,210	906,312
-	488,113	-	488,113
-	-	257,111	257,111
67,470	488,113	706,321	2,791,100

City of Monticello

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

As of and for the year ended June 30, 2008

	Enterprise			
	Water	Sewer	Sanitation	Total
Operating receipts:				
Charges for service	\$ 346,816	518,557	366,492	1,231,865
Miscellaneous	4,531	4,237	6,842	15,610
Total operating receipts	351,347	522,794	373,334	1,247,475
Operating disbursements:				
Business type activities	203,626	287,681	368,481	859,788
Excess of operating receipts over operating disbursements	147,721	235,113	4,853	387,687
Non-operating receipts (disbursements):				
Interest on investments	19,000	43,218	10,540	72,758
Refunding bond proceeds	-	1,187,830	-	1,187,830
Payment to refunding escrow agent	-	(1,160,000)	-	(1,160,000)
Debt service	(96,287)	(214,236)	-	(310,523)
Equipment	-	-	(90,900)	(90,900)
Capital projects	-	(249,246)	-	(249,246)
Total non-operating receipts (disbursements)	(77,287)	(392,434)	(80,360)	(550,081)
Excess (deficiency) of receipts over (under) disbursements	70,434	(157,321)	(75,507)	(162,394)
Operating transfers out	(68,059)	(29,605)	-	(97,664)
Net change in cash balances	2,375	(186,926)	(75,507)	(260,058)
Cash balances beginning of year	368,853	998,165	263,161	1,630,179
Cash balances end of year	\$ 371,228	811,239	187,654	1,370,121
<b>Cash Basis Fund Balances</b>				
Reserved for:				
Debt service	\$ 146,639	301,555	-	448,194
Capital improvements	-	6,311	-	6,311
Unreserved	224,589	503,373	187,654	915,616
Total cash basis fund balances	\$ 371,228	811,239	187,654	1,370,121

See notes to financial statements.

City of Monticello  
 Statement of Changes in Fiduciary Assets and Liabilities  
 Fiduciary Fund

Year ended June 30, 2008

	Agency Flexible Benefits
Additions:	
Employee contributions	\$ 2,785
Deductions:	
Medical reimbursements	595
Child care reimbursements	1,538
Total deductions	2,133
Net change in cash balance	652
Cash balance beginning of year	-
Cash balance end of year	\$ 652

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2008

**(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 Friends of the Monticello Public Library (component units). These component units discussed below are included in the City's reporting entity because of the significance of their 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 Friends of the Monticello Public 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 tax increment financing collections and principal and interest on debt incurred for urban renewal projects.

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 solid waste removal system.

Additionally, the City reports a fiduciary fund to account for assets held by the City as an agent for employee flexible benefit contributions and related payments.

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, 2008, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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
2009	\$ 420,000	91,486	205,000	26,662	180,000	122,740	805,000	240,888
2010	440,000	75,801	205,000	20,820	195,000	114,365	840,000	210,986
2011	385,000	58,791	210,000	14,670	205,000	107,392	800,000	180,853
2012	275,000	43,612	255,000	8,160	210,000	99,862	740,000	151,634
2013	285,000	33,062	-	-	220,000	91,822	505,000	124,884
2014 - 2018	545,000	40,357	-	-	1,235,000	316,503	1,780,000	356,860
2019 - 2021	-	-	-	-	610,000	55,038	610,000	55,038
Total	\$2,350,000	343,109	875,000	70,312	2,855,000	907,722	6,080,000	1,321,143

Refunding Bonds

On May 12, 2008, the City issued \$1,195,000 of sewer revenue refunding bonds, with interest rates ranging from 2.70% to 4.05%, for a current refunding of the sewer revenue bonds issued December 1, 1998.

The City refunded the bonds to reduce its total debt service payments by approximately \$52,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$43,000.

## Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,210,000 in water revenue bonds issued in March 2002. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 65 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,284,465. For the current year, principal and interest paid and total customer net receipts were \$95,987 and \$147,721, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,130,000 in sewer revenue bonds issued in March 2002 and May 2008. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant and refunded the City's outstanding Series 1998B sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 91 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,478,257. For the current year, principal and interest paid and total customer net receipts were \$213,361 and \$235,113, respectively.

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. \$37,000 shall be deposited 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.
- (f) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the bonds falling due in the same year.

The City's sewer net revenues for the year ended June 30, 2008 are less than the required 125% of principal and interest on bonds falling due during the year.

**(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$74,631, \$68,605, and \$64,041, 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. Sick leave is payable upon termination, retirement or death for certain employees who were employed by the City at least eight years as of 1998. These employees will receive a payout of one-half the total accumulated sick leave hours, not to exceed 360 hours, and paid at the effective hourly rate at June 30, 1998 for the employee. 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, 2008, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 500
Vacation	15,100
Sick leave	6,700
Holiday	<u>4,800</u>
Total	<u>\$ 27,100</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(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.

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City's group insurance is a partially self-funded health plan. Under the partially self-funded plan, the City will reimburse an eligible employee for a portion of the deductible. The amount of the deductible for the employees and the City are as follows:

	<u>Single</u>	<u>Family</u>
Employee	\$ 500	1,000
City	2,500	5,000

In addition to the deductible, the City also self-funds a portion of office visits and prescription co-pays. Employees are charged \$25 per office visit, while the employee agreements (City employees union, policy manual and police) state employees are responsible for 10% of the actual cost. Therefore, the City reimburses the employees for the difference, if any.

For prescriptions, the City reimburses employees for the entire deductible (\$100 single deductible and \$200 family deductible) as well as the difference between the co-pay (ranges from \$8 to \$50) paid by the employee and the amounts the employee agreements state the employee is responsible for (\$10 for generic, \$20 for name brand).

The City also partially self-funds dental insurance for major dental work and orthodontics. The employee agreements state insurance shall cover 80% of major dental work and 50% of orthodontics, with no limitation stated. The City's dental insurance pays 50% of major dental work and orthodontics with a lifetime maximum of \$1,000 for orthodontics. The City is responsible for the differences between the amounts covered by insurance and the amount of coverage stated in the employee agreements.

**(7) Construction Commitment**

The City has entered into a street resurfacing construction project for \$282,361. The City has made payments totaling \$28,085 at June 30, 2008. The outstanding balance on the project of \$254,276 will be paid as work progresses.

**(8) Commitments**

The City has entered into two tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating the incremental tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental tax 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 July 2006 or July 1, 2010. The total amount to be rebated as of June 30, 2008 for the two tax increment financing agreements is not to exceed \$53,551. The City has rebated \$8,723 as of June 30, 2008.

**(9) Economic Development Loans**

The City has awarded four loans, not to exceed a total of \$43,900, 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, 2008, the balance on the loans was \$25,316 and the City received repayments totaling \$9,351 during the year.

**(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, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Family Aquatic Center Campaign	\$ 12,683
Debt Service	General	33,642
	Special Revenue: Tax Increment Financing	922,821
	Enterprise: Water	37,218
	Sewer	29,605
		<u>1,023,286</u>
Capital Projects	General	22,974
	Special Revenue: Road Use Tax	45,542
	Library Building	7,497
	Library Building Capital Campaign	2,618
	Enterprise: Water	30,841
		<u>109,472</u>
Total		<u>\$ 1,145,441</u>

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

**(12) Special Investigation**

The City of Monticello requested the Office of Auditor of State to perform a special investigation of the City of Monticello Ambulance Service as a result of concerns regarding the salary paid to the former Quality Assurance Coordinator. The Auditor of State's special investigation report dated December 5, 2008 identified \$59,217 of improper disbursements and uncollected ambulance billings for the City for the period July 1, 2005 through November 9, 2007. Of the improper disbursements for the City, \$4,049 apply to the year ended June 30, 2008. The investigation also identified \$7,649 of improper disbursements from the Monticello Emergency Medical Team, a non-profit organization created to provide financial and volunteer support to the Monticello Ambulance Service.

Copies of the Auditor of State's special investigation report were filed with the Jones County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

**(13) Subsequent Events**

In August 2008, the City accepted a bid of \$253,883 for the purchase of a new fire truck. In September 2008, the City accepted a bid of \$247,645 for a public works building project. In March 2009, the City accepted a bid for \$1,331,428 for the 2009 South Cedar Street reconstruction project.

In August 2008, the City issued \$1,065,000 of general obligation corporate purpose and refunding bonds, series 2008A. The bonds were issued to fund community building repairs, street improvements and a generator and to refund general obligation bonds issued December 1, 1998 and May 1, 2001. In September 2008, the City issued \$3,400,000 of general obligation urban renewal corporate purpose bonds, series 2008B. The bonds were issued to fund street and bridge improvements and the public safety building project.

**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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,031,036	-	-
Tax increment financing	736,987	-	-
Other city tax	550,145	-	-
Licenses and permits	13,726	-	-
Use of money and property	253,147	72,758	509
Intergovernmental	845,758	-	-
Charges for service	476,301	1,231,865	-
Special assessments	7,383	-	-
Miscellaneous	281,784	15,610	170,292
Total receipts	<u>4,196,267</u>	<u>1,320,233</u>	<u>170,801</u>
<b>Disbursements:</b>			
Public safety	1,248,907	-	153,324
Public works	459,982	-	-
Culture and recreation	549,814	-	8,449
Community and economic development	-	-	-
General government	368,391	-	-
Debt service	1,329,544	-	-
Capital projects	532,482	-	-
Business type activities	-	1,510,457	-
Total disbursements	<u>4,489,120</u>	<u>1,510,457</u>	<u>161,773</u>
Excess (deficiency) of receipts over (under) disbursements	(292,853)	(190,224)	9,028
Other financing sources (uses)	97,664	(69,834)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(195,189)	(260,058)	9,028
Balances beginning of year	<u>2,986,289</u>	<u>1,630,179</u>	<u>65,673</u>
Balances end of year	<u>\$ 2,791,100</u>	<u>1,370,121</u>	<u>74,701</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,031,036	1,029,846	1,029,846	1,190
736,987	752,470	752,470	(15,483)
550,145	557,720	559,503	(9,358)
13,726	12,345	12,863	863
325,396	223,884	284,634	40,762
845,758	819,332	893,066	(47,308)
1,708,166	1,764,800	1,819,701	(111,535)
7,383	-	-	7,383
127,102	246,435	250,577	(123,475)
<u>5,345,699</u>	<u>5,406,832</u>	<u>5,602,660</u>	<u>(256,961)</u>
1,095,583	1,015,651	1,144,632	49,049
459,982	537,430	600,616	140,634
541,365	562,947	598,668	57,303
-	-	5,669	5,669
368,391	386,675	407,600	39,209
1,329,544	829,626	1,329,701	157
532,482	854,831	748,006	215,524
1,510,457	1,631,877	2,881,891	1,371,434
<u>5,837,804</u>	<u>5,819,037</u>	<u>7,716,783</u>	<u>1,878,979</u>
(492,105)	(412,205)	(2,114,123)	1,622,018
<u>27,830</u>	<u>240,000</u>	<u>1,187,830</u>	<u>(1,160,000)</u>
(464,275)	(172,205)	(926,293)	462,018
4,550,795	4,026,276	4,550,794	1
<u>4,086,520</u>	<u>3,854,071</u>	<u>3,624,501</u>	<u>462,019</u>

City of Monticello

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,897,746. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, 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, 2008

	Special							
	CEBA and Other Grants	Park Improvements	Ambulance Improvements	Employee Benefits	Library Improvements	Earl F. Lehmann	Street Bonding	Cemetery Improvements
Receipts:								
Property tax	\$ -	-	-	211,740	-	-	-	-
Other city tax	-	-	-	9,633	-	-	-	-
Use of money and property	-	16	41	2,238	2,075	2	-	6,949
Intergovernmental	194	-	-	-	125	-	-	-
Miscellaneous	-	4,181	4,678	-	3,721	-	2,150	63
Total receipts	194	4,197	4,719	223,611	5,921	2	2,150	7,012
Disbursements:								
Operating:								
Public safety	-	-	4,000	144,236	-	-	-	-
Public works	-	-	-	31,045	-	-	2,300	-
Culture and recreation	-	-	-	35,200	4,680	-	-	7,000
General government	-	-	-	30,169	-	-	-	-
Total disbursements	-	-	4,000	240,650	4,680	-	2,300	7,000
Excess (deficiency) of receipts over (under) disbursements	194	4,197	719	(17,039)	1,241	2	(150)	12
Other financing uses:								
Operating transfers out	-	-	-	-	-	-	-	-
Net change in cash balances	194	4,197	719	(17,039)	1,241	2	(150)	12
Cash balances beginning of year	2,380	-	-	80,170	41,856	227	300	47,386
Cash balances end of year	\$ 2,574	4,197	719	63,131	43,097	229	150	47,398
<b>Cash Basis Fund Balances</b>								
Unreserved:								
Special revenue funds	\$ 2,574	4,197	719	63,131	43,097	229	150	47,398
Permanent funds	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 2,574	4,197	719	63,131	43,097	229	150	47,398

See accompanying independent auditor's report.

**Schedule 1**

Revenue								Permanent				
Slavka Gehret Trust	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	
-	-	-	-	-	-	-	-	-	-	-	211,740	
-	-	-	-	-	-	-	-	-	-	-	9,633	
5,014	663	415	12	428	32	49	-	-	2,540	6,798	27,272	
-	-	-	-	-	-	-	-	-	-	-	319	
-	-	-	1,169	11,633	96,261	59,538	2,860	6,369	-	2,159	194,782	
5,014	663	415	1,181	12,061	96,293	59,587	2,860	6,369	2,540	8,957	443,746	
-	-	-	-	-	84,052	69,272	-	-	-	-	301,560	
-	-	-	-	-	-	-	-	-	-	-	33,345	
-	-	-	-	6,269	-	-	2,180	-	-	23,833	79,162	
-	-	-	-	-	-	-	-	-	-	-	30,169	
-	-	-	-	6,269	84,052	69,272	2,180	-	-	23,833	444,236	
5,014	663	415	1,181	5,792	12,241	(9,685)	680	6,369	2,540	(14,876)	(490)	
-	(12,683)	(7,497)	(2,618)	-	-	-	-	-	-	-	(22,798)	
5,014	(12,020)	(7,082)	(1,437)	5,792	12,241	(9,685)	680	6,369	2,540	(14,876)	(23,288)	
183,650	31,474	11,978	1,437	20,454	18,034	21,151	6,034	117,696	41,964	103,418	729,609	
188,664	19,454	4,896	-	26,246	30,275	11,466	6,714	124,065	44,504	88,542	706,321	
188,664	19,454	4,896	-	26,246	30,275	11,466	6,714	-	-	-	449,210	
-	-	-	-	-	-	-	-	124,065	44,504	88,542	257,111	
188,664	19,454	4,896	-	26,246	30,275	11,466	6,714	124,065	44,504	88,542	706,321	

City of Monticello  
Schedule of Indebtedness  
Year ended June 30, 2008

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
Sewer refunding	May 12, 2008	2.70-4.05	1,195,000
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
30,000	-	30,000	-	1,500
545,000	-	70,000	475,000	23,958
425,000	-	95,000	330,000	18,628
705,000	-	565,000	140,000	31,235
265,000	-	40,000	225,000	8,415
900,000	-	100,000	800,000	30,600
420,000	-	40,000	380,000	16,344
<b>\$ 3,290,000</b>	-	<b>940,000</b>	<b>2,350,000</b>	<b>130,680</b>
<b>1,075,000</b>	-	<b>200,000</b>	<b>875,000</b>	<b>32,062</b>
1,240,000	-	1,240,000	-	56,964
985,000	-	50,000	935,000	45,987
765,000	-	40,000	725,000	36,397
-	1,195,000	-	1,195,000	-
<b>\$ 2,990,000</b>	<b>1,195,000</b>	<b>1,330,000</b>	<b>2,855,000</b>	<b>139,348</b>
<b>22,863</b>	-	<b>22,863</b>	-	<b>764</b>

City of Monticello  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	General Obligation Bonds							
	Street Improvement		General Corporate Purpose		Urban Renewal		General Corporate Purpose	
	Issued Dec 1, 1998		Issued May 1, 2001		Issued Aug 1, 2001		Issued Aug 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.25%	\$ 70,000	4.35%	\$ 100,000	4.10%	\$ 70,000	2.85%	\$ 40,000
2010	4.35	75,000	4.40	110,000	4.20	70,000	3.15	45,000
2011	4.40	75,000	4.50	120,000	-	-	3.30	45,000
2012	4.45	80,000	-	-	-	-	3.45	45,000
2013	4.50	85,000	-	-	-	-	3.16	50,000
2014	4.55	90,000	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
Total		<u>\$ 475,000</u>		<u>\$ 330,000</u>		<u>\$ 140,000</u>		<u>\$ 225,000</u>

Year Ending June 30,	Revenue Bonds							Total
	Water		Sewer		Sewer Refunding			
	Issued Mar 15, 2002		Issued Mar 15, 2002		Issued May 12, 2008			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2009	4.00%	\$ 55,000	4.20%	\$ 40,000	2.70%	\$ 85,000	\$ 180,000	
2010	4.15	55,000	4.30	45,000	2.90	95,000	195,000	
2011	4.25	60,000	4.40	45,000	3.00	100,000	205,000	
2012	4.40	60,000	4.50	50,000	3.15	100,000	210,000	
2013	4.50	65,000	4.60	50,000	3.30	105,000	220,000	
2014	4.60	65,000	4.70	50,000	3.45	110,000	225,000	
2015	4.70	70,000	4.80	55,000	3.60	110,000	235,000	
2016	4.89	75,000	4.90	55,000	3.75	115,000	245,000	
2017	4.90	80,000	5.00	60,000	3.90	120,000	260,000	
2018	5.00	80,000	5.00	65,000	4.00	125,000	270,000	
2019	5.00	85,000	5.05	65,000	4.05	130,000	280,000	
2020	5.05	90,000	5.10	70,000	-	-	160,000	
2021	5.10	95,000	5.10	75,000	-	-	170,000	
Total		<u>\$ 935,000</u>		<u>\$ 725,000</u>		<u>\$ 1,195,000</u>	<u>2,855,000</u>	

See accompanying independent auditor's report.

Urban Renewal		General Corporate Purpose		
Issued May 1, 2004		Issued Apr 3, 2006		
Interest Rates	Amount	Interest Rates	Amount	Total
2.80%	\$ 100,000	3.875%	\$ 40,000	420,000
3.00	100,000	3.875	40,000	440,000
3.25	100,000	3.875	45,000	385,000
3.50	100,000	3.875	50,000	275,000
3.70	100,000	3.875	50,000	285,000
3.85	100,000	3.875	50,000	240,000
4.00	100,000	3.875	50,000	150,000
4.00	100,000	4.000	55,000	155,000
	<u>\$ 800,000</u>		<u>\$ 380,000</u>	<u>2,350,000</u>

General Obligation Capital Loan Notes		
General Corporate Purpose and Refunding		
Issued Mar 1, 2005		
Year Ending June 30,	Interest Rates	Amount
2009	2.85%	\$ 205,000
2010	3.00	205,000
2011	3.10	210,000
2012	3.20	255,000
		<u>\$ 875,000</u>

**Schedule 4**

## City of Monticello

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

For the Last Six Years

	2008	2007	2006	2005	2004	2003
Receipts:						
Property tax	\$ 1,031,036	1,018,093	970,967	974,046	975,086	1,055,907
Tax increment financing	736,987	737,067	611,546	553,027	486,288	344,043
Other city tax	550,145	534,957	483,068	374,781	313,289	283,326
Licenses and permits	13,726	9,280	13,198	10,604	14,209	16,339
Use of money and property	253,147	266,114	235,079	195,023	126,753	152,068
Intergovernmental	845,758	842,157	717,539	982,672	629,557	668,673
Charges for service	476,301	415,499	353,670	310,984	271,306	304,434
Special assessments	7,383	14,647	102,812	8,444	36,266	35,616
Miscellaneous	281,784	475,685	1,036,729	530,563	1,127,155	758,828
Total	\$ 4,196,267	4,313,499	4,524,608	3,940,144	3,979,909	3,619,234
Disbursements:						
Operating:						
Public safety	\$ 1,248,907	1,200,750	937,287	839,798	897,445	987,995
Public works	459,982	676,486	443,983	396,103	424,924	416,198
Culture and recreation	549,814	473,385	467,947	469,241	407,367	482,741
Community and economic development	-	-	60,002	59,686	140,512	75,215
General government	368,391	383,815	374,420	318,686	280,442	290,933
Debt service	1,329,544	826,855	767,225	1,946,432	621,260	788,965
Capital projects	532,482	648,952	3,575,064	1,236,174	2,182,544	1,186,191
Total	\$ 4,489,120	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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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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. 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, including a deficiency we consider to be a material weakness.

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 consider 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, of the significant deficiencies described above, we believe item (A) is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monticello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings. We also noted immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

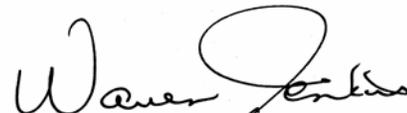
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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

March 19, 2009

City of Monticello

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Weaknesses were noted in the following areas for which no compensating controls exists:

- (1) Mail is not opened and distributed by someone other than accounting personnel.
- (2) Responsibilities of collection and deposit preparation functions are not segregated from those for recording and accounting for cash receipts.
- (3) The duties of record keeping and reconciliation of investments are performed by the same person.
- (4) Bank reconciliations are not reviewed by an independent person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Mail will be received and opened by the City Administrator. In the absence of the City Administrator, the City Clerk shall receive and open the mail. One office employee shall be responsible for the preparation of all receipts while another shall be responsible to enter the receipts into the computer system. The City Administrator will meet with the City Clerk at least once per month to review and initial investment and bank reconciliations and supporting documentation. The City Clerk shall be responsible to review and initial monthly utility reconciliations.

Conclusion - Response accepted.

(B) Payroll - Salaried employees 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 - All employee time cards will be reviewed to ensure supervisor approval. All salaried staff will be required to submit weekly time sheets to the Deputy City Clerk outlining their use of paid time off and hours worked. The Deputy Clerk shall use the information to prepare a tracking spreadsheet.

Conclusion - Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2008

- (C) 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.

Response – The City Administrator and City Clerk will set up a meeting with the Soldier's Memorial Board to review recommendation and to request compliance with the recommendation by the Board.

Conclusion – Response accepted.

- (D) Property Purchase – During the year ended June 30, 2008, the City and the Monticello Development Corporation jointly purchased a parcel of real estate which is currently being used as a rental property. The Monticello Development Corporation manages the property. However, the agreement between the City and the Monticello Development Corporation has not been reduced to writing.

Recommendation – A written agreement between the City and the Monticello Development Corporation should be developed to document the management of the jointly owned property.

Response – The City Administrator will prepare a written agreement to outline the practices and oral understandings between the Development Corporation and the City with regard to the jointly owned property.

Conclusion – Response accepted.

- (E) Self-insurance – The City partially self funds health insurance under the City's group insurance plan. Reimbursements are made to employees for the City's share of deductibles from the General, Road Use Tax and Enterprise Funds. Accounting standards require self insurance be accounted for in either the General or an Internal Service Fund.

Recommendation – The City should establish a separate General or Internal Service Fund to account for the partial self funding of health insurance deductibles as required.

Response – The City will establish an Internal Service Fund for the self-funding of health insurance deductibles.

Conclusion – Response accepted.

- (F) Ambulance Receipts – Beginning in November 2007, the City utilized an outside company to prepare ambulance billings and maintain accounts receivable records. Payments on account are received by the City and the payment information is forwarded to the company to allow for maintenance of receivable balances. The City receives monthly financial information from the company but does not reconcile the amount of receipts per the City's records to the amount of payments reported in the monthly financials prepared by the company.

City of Monticello

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City should perform a monthly reconciliation of the City's ambulance receipts and payments received on account per the accounts receivable records.

Response – The City has begun a reconciliation process and we will continue to develop it with the assistance of the Ambulance Director. We will not only verify our receipts match up with the billings but the billings match up with ambulance trip sheets to ensure all billable services are in fact being billed.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

A special report dated December 5, 2008 covering the period July 1, 2005 through November 9, 2007 identified \$59,217 of improper disbursements and uncollected ambulance billings for the City and \$7,649 of improper disbursements from Monticello Emergency Medical Team (MEMT). Of the improper disbursements for the City, \$4,049 apply to the year ended June 30, 2008. The following recommended control procedures were included in the special report and pertain to the fiscal year ended June 30, 2008:

- (A) Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. We determined 1 MEMT member had control over MEMT bank accounts.

Recommendation - We realize segregation of duties is difficult with a limited number of officers. However, MEMT members should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – MEMT operating procedures were amended many months ago to ensure oversight of expenditures. Two signatures are required on all checks as a result of their review. The MEMT officers will employ a regular review of operating procedures to ensure appropriate checks and balances are in place.

Conclusion – Response accepted.

- (B) MEMT Deposits – During our review of MEMT financial transactions, we determined the amounts collected are not recorded in any manner. For instance, MEMT members provide first aid and CPR training to individuals and to businesses for which MEMT receives donations. In addition, for MEMT's 2 primary fundraising events during the year, certain donations are sent directly to Monticello Ambulance Service (MAS) but are not recorded.

In addition, we identified several grants obtained by the former Ambulance Director which were to benefit MAS. However, the proceeds were deposited into the MEMT account controlled by the former Director. The related disbursements were also spent from the MEMT account.

Recommendation – Amounts collected by MEMT should be recorded on prenumbered receipts or in some other appropriate manner. Donations for fundraising events should be sent to a lockbox to strengthen controls. The amounts recorded should also be periodically compared to actual deposits by someone independent of the collection and recording of the receipts.

City of Monticello

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Year ended June 30, 2008

In addition, any grants received on behalf of MAS should be deposited to and disbursed from the City's accounts. In addition, any grants submitted on behalf of MAS should be approved by the Council prior to submission.

Response – MEMT has been advised of the auditor's recommendations and they are willing to employ procedures identified therein. All ambulance grants applied for by the MAS will be pre-approved by the Council and all receipts will be deposited and disbursed from City accounts.

Conclusion – Response accepted.

- (C) Property and Equipment - We determined certain items purchased by MEMT or donated to MAS were not on hand at MAS. The following is a list of the items and their cost:

<b>Description</b>	<b>Amount</b>
Laptop Computer – Hewlett Packard*	\$ 2,026.47
Otoscope - donation from citizen#	50.00
Total	<u>\$ 2,076.47</u>

\* - Includes case, DVD and 3 year warranty.

# - Estimated cost of the donated item (based on cost of similar item.)

Recommendation - The City should implement a policy to determine MAS' property and equipment are properly accounted for.

Response – The Ambulance Director will begin a process of taking inventory all equipment of the MAS and equipment in the possession of the MAS that belongs to the MEMT, if any. The inventory will be regularly updated and reviewed annually to ensure accuracy.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 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	\$ 537
Jerry Pasker, Planning and Zoning Board Member, Member/Owner of Netconnect	Services	190
Nick Sauser, Jr., Planning and Zoning Board Member, owner of Sauser’s Gas and Repair Shop	Services and supplies	2,307
Jerry Welter, Council Member, Brother owns Welter Storage Company, Inc.	Services	876
Dave Savage and Steve Edwards, Airport Board and Fire Board Member, respectively, Owner and Employee, respectively, of Insurance Associates, Inc.	Insurance, per bid	119,840

The transactions with the Lock Shop, Netconnect and Welter Storage Company do not represent conflicts of interest in accordance with Chapter 362.5(10) of the Code of Iowa because the cumulative totals during the fiscal year were each 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, 2008

- (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.
- (8) Revenue Bonds – The provisions of the water and sewer revenue bonds require water and sewer user rates be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2008, the City was not in compliance with the net revenue requirement for the sewer revenue bonds as required by the bond resolution.

Recommendation – The City should ensure sewer user rates are established at a level which produces net revenues of 125% of the annual principal and interest payments on the bonds.

Response – The City will work with its financial advisor, Public Financial Management, to take the necessary steps to increase sewer rates to produce sufficient net revenues.

Conclusion – Response accepted.

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City of Monticello

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Daniel L. Grady, Senior Auditor  
Gelu Sherpa, Staff Auditor  
Daryl L. Hart, Auditor Intern



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