



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE December 15, 2003

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

The City's receipts totaled \$4,778,007 for the year ended June 30, 2003, an 8 percent decrease from 2002. The receipts included \$1,055,907 in property tax, \$344,043 in tax increment financing collections, \$207,972 in local option sales tax, \$686,837 from other governments and \$105,818 in interest on investments. The significant decrease in receipts is due primarily to completion of airport and aquatic center grant programs in the prior year and to fewer aquatic center donations collected in fiscal year 2003.

Disbursements for the year totaled \$6,096,692, an 8 percent increase from the prior year, and included \$1,868,454 for business type activities, \$1,186,191 for capital projects and \$987,995 for public safety. The significant increase in disbursements is due primarily to new debt service requirements, flood repair to the sewer and sanitation facilities and sanitation equipment purchases.

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

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CITY OF MONTICELLO
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Financial Statements:	<u>Exhibit</u>	
Combined Statement of Cash Transactions – All Fund Types	A	8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B	10-11
Statement of Indebtedness	C	12-13
Notes to Financial Statements		14-21
Supplemental Information:	<u>Schedule</u>	
Combining Schedules of Cash Transactions:		
General Fund	1	24-33
Special Revenue Funds	2	34-37
Debt Service Fund	3	38
Capital Projects Funds	4	39-40
Enterprise Funds	5	42-45
Trust Funds	6	46-47
Bond and Note Maturities	7	48-51
Comparison of Taxes and Intergovernmental Receipts	8	52
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		53-54
Schedule of Findings		55-58
Staff		59

City of Monticello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert (Bud) Johnson	Mayor	Jan 2004
Dena Himes	Mayor Pro tem	Jan 2006
Nels Petersen	Council Member	Jan 2004
Larry Stoneking	Council Member	Jan 2004
Jerald Wilbricht	Council Member	Jan 2004
William Meyer	Council Member	Jan 2006
Tom Henry	Council Member	Jan 2006
Joshua A. Smith	City Administrator	Jul 2004
Sally Hinrichsen	City Clerk/Treasurer	Jan 2004
Cheryl Clark	Deputy City Clerk	Jan 2004
Douglas Herman	Attorney	Jan 2004

City of Monticello



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Monticello, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Monticello's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The financial statements referred to above do not include the financial transactions of the Friends of Monticello Public Library, Inc., a component unit of the City of Monticello, pertaining to the Special Revenue Funds, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts of the financial transactions that should have been recorded are not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Monticello as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

As discussed in note 15, the City of Monticello intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2003 on our consideration of the City of Monticello's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the omission of the financial transactions of the Friends of Monticello Public Library, Inc. pertaining to the Special Revenue Funds. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the financial transactions of the Friends of Monticello Public Library, Inc. pertaining to the Special Revenue Funds at June 30, 2003, as discussed in the fourth preceding paragraph, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 4, 2003

Financial Statements

City of Monticello
 Combined Statement of Cash Transactions
 All Funds
 Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 589,625	174,325	291,957
Tax increment financing collections	-	344,043	-
Other City tax	266,285	8,647	8,394
Licenses and permits	16,339	-	-
Use of money and property	94,239	3,913	-
Intergovernmental	201,311	361,816	-
Charges for service	304,434	-	-
Special assessments	-	-	-
Miscellaneous	74,164	298,712	-
Total receipts	1,546,397	1,191,456	300,351
Disbursements:			
Public safety	656,004	331,991	-
Public works	75,905	317,843	-
Culture and recreation	410,808	46,278	-
Community and economic development	-	75,103	-
General government	274,838	16,095	-
Debt service	-	-	788,965
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	1,417,555	787,310	788,965
Excess (deficiency) of receipts over (under) disbursements	128,842	404,146	(488,614)
Other financing sources (uses):			
Sale of capital assets	26,044	-	-
Operating transfers in	83,718	-	571,688
Operating transfers out	(172,683)	(448,792)	-
Total other financing sources (uses)	(62,921)	(448,792)	571,688
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	65,921	(44,646)	83,074
Balance beginning of year	769,099	511,661	12,748
Balance end of year	\$ 835,020	467,015	95,822

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust	Total Reporting Entity (Memorandum Only)
-	-	-	1,055,907
-	-	-	344,043
-	-	-	283,326
-	-	-	16,339
26,806	28,254	27,110	180,322
104,306	18,164	1,240	686,837
-	1,068,824	-	1,373,258
35,616	-	-	35,616
25,823	43,531	360,129	802,359
192,551	1,158,773	388,479	4,778,007
-	-	-	987,995
-	-	22,450	416,198
-	-	25,655	482,741
112	-	-	75,215
-	-	-	290,933
-	-	-	788,965
1,186,191	-	-	1,186,191
-	1,868,454	-	1,868,454
1,186,303	1,868,454	48,105	6,096,692
(993,752)	(709,681)	340,374	(1,318,685)
-	-	-	26,044
294,763	874,127	-	1,824,296
(522,468)	(385,851)	(294,502)	(1,824,296)
(227,705)	488,276	(294,502)	26,044
(1,221,457)	(221,405)	45,872	(1,292,641)
2,820,172	1,224,229	607,337	5,945,246
1,598,715	1,002,824	653,209	4,652,605

City of Monticello

Comparison of Receipts, Disbursements and Changes in Balances –

Actual to Budget

Year ended June 30, 2003

	Actual	Less Funds Not Required to be Budgeted	Net	Amended Budget
Receipts:				
Property tax	\$ 1,055,907	-	1,055,907	901,363
Tax increment financing collections	344,043	-	344,043	411,817
Other City tax	283,326	-	283,326	223,788
Licenses and permits	16,339	-	16,339	10,900
Use of money and property	180,322	8,011	172,311	285,394
Intergovernmental	686,837	-	686,837	839,215
Charges for service	1,373,258	-	1,373,258	1,441,650
Special assessments	35,616	-	35,616	-
Miscellaneous	802,359	288,077	514,282	926,000
Total receipts	4,778,007	296,088	4,481,919	5,040,127
Disbursements:				
Public safety	987,995	238,575	749,420	818,946
Public works	416,198	-	416,198	449,997
Culture and recreation	482,741	28,303	454,438	474,997
Community and economic development	75,215	-	75,215	252,500
General government	290,933	-	290,933	317,908
Debt service	788,965	-	788,965	801,204
Capital projects	1,186,191	-	1,186,191	1,241,726
Business type activities	1,868,454	-	1,868,454	2,467,754
Total disbursements	6,096,692	266,878	5,829,814	6,825,032
Excess (deficiency) of receipts over (under) disbursements	(1,318,685)	29,210	(1,347,895)	(1,784,905)
Other financing sources, net	26,044	-	26,044	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,292,641)	29,210	(1,321,851)	(1,784,905)
Balance beginning of year	5,945,246	388,017	5,557,229	5,805,517
Balance end of year	\$ 4,652,605	417,227	4,235,378	4,020,612

See notes to financial statements.

Variance Favorable (Unfavorable)	Net as % of Amended Budget
154,544	117%
(67,774)	84%
59,538	127%
5,439	150%
(113,083)	60%
(152,378)	82%
(68,392)	95%
35,616	
(411,718)	56%
(558,208)	89%
69,526	92%
33,799	92%
20,559	96%
177,285	30%
26,975	92%
12,239	98%
55,535	96%
599,300	76%
995,218	85%

City of Monticello
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Aug 1, 1993	4.10-5.00%	\$ 275,000
Essential corporate purpose	Jun 1, 1994	4.80-5.50	400,000
Street improvement	Dec 1, 1998	3.80-4.55	1,000,000
General corporate purpose	May 1, 2001	3.70-5.50	885,000
Urban renewal	Aug 1, 2001	3.90-4.80	995,000
Total			
Revenue bonds:			
Sewer	Dec 1, 1998	4.25-5.00%	\$ 1,700,000
Water	Mar 15, 2002	2.00-5.10	1,210,000
Sewer	Mar 15, 2002	2.75-5.10	935,000
Total			
General obligation capital loan notes:			
Industrial park and youth center projects	Apr 1, 1996	4.45-4.90%	\$ 625,000
Streets, sidewalks, ambulance, water and sewer projects	Jan 1, 1997	4.875-5.25	1,810,000
Total			
Special pledge obligation note:			
Aquatic center	Oct 19, 2001	3.80%	\$ 326,000
Bank loans:			
Ambulance	Jul 14, 1999	5.00%	\$ 54,800
Van	Feb 7, 2002	4.50	29,188
Total			
Lease-purchase agreements:			
Park mower	Jul 10, 1998	6.75%	\$ 27,720
Cemetery tractor/loader	Nov 11, 1998	6.25	15,650
Total			

See notes to financial statements.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
145,000	20,000	125,000	7,130
235,000	30,000	205,000	12,700
845,000	55,000	790,000	36,118
835,000	65,000	770,000	35,043
995,000	55,000	940,000	42,545
<u>\$ 3,055,000</u>	<u>225,000</u>	<u>2,830,000</u>	<u>133,536</u>
1,585,000	65,000	1,520,000	73,087
1,210,000	35,000	1,175,000	63,694
935,000	25,000	910,000	51,016
<u>\$ 3,730,000</u>	<u>125,000</u>	<u>3,605,000</u>	<u>187,797</u>
50,000	25,000	25,000	2,425
1,370,000	110,000	1,260,000	69,006
<u>\$ 1,420,000</u>	<u>135,000</u>	<u>1,285,000</u>	<u>71,431</u>
176,000	176,000	-	4,932
19,220	19,220	-	948
29,188	9,824	19,364	518
<u>\$ 48,408</u>	<u>29,044</u>	<u>19,364</u>	<u>1,466</u>
12,184	5,893	6,291	822
6,834	3,313	3,521	427
<u>\$ 19,018</u>	<u>9,206</u>	<u>9,812</u>	<u>1,249</u>

City of Monticello

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, except as noted, the City of Monticello has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

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

The Monticello Volunteer Fire Department is a volunteer organization and 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 Volunteer Fire Department has been established pursuant to City ordinance for the purpose of preventing and extinguishing fires, to protect lives and property against fires and to promote fire protection and fire safety. The City of Monticello is the primary beneficiary of this volunteer organization.

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

Excluded Component Unit

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

Jointly Governed Organizations

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

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

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

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Fiduciary Funds

Trust Funds – The Trust Funds are utilized to account for monies and properties received and held by the City in a trustee capacity. These include Expendable Trust Funds and Non-Expendable Trust Funds.

C. 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.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for the component units and Non-Expendable Trust Funds. 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 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.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

(3) Long-Term Debt

Bonds and Notes Payable

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

Year Ending June 30,	General		Revenue Bonds		General Obligation Capital Loan Notes		Total	
	Obligation Bonds							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 245,000	124,298	145,000	163,870	140,000	64,869	530,000	353,037
2005	260,000	114,098	150,000	158,933	120,000	58,038	530,000	331,069
2006	270,000	103,058	155,000	153,418	125,000	52,188	550,000	308,664
2007	275,000	91,393	165,000	147,448	130,000	46,094	570,000	284,935
2008	295,000	79,445	170,000	140,810	140,000	39,659	605,000	259,914
2009	280,000	66,443	175,000	133,820	145,000	32,659	600,000	232,922
2010	255,000	54,048	185,000	126,500	155,000	25,228	595,000	205,776
2011	270,000	43,005	195,000	118,543	160,000	17,245	625,000	178,793
2012	155,000	31,080	205,000	109,963	170,000	8,925	530,000	149,968
2013	165,000	24,220	215,000	100,703	-	-	380,000	124,923
2014	175,000	16,795	220,000	90,778	-	-	395,000	107,573
2015	90,000	8,790	235,000	80,450	-	-	325,000	89,240
2016	95,000	4,560	245,000	69,240	-	-	340,000	73,800
2017	-	-	260,000	57,368	-	-	260,000	57,368
2018	-	-	270,000	44,568	-	-	270,000	44,568
2019	-	-	285,000	31,068	-	-	285,000	31,068
2020	-	-	160,000	16,785	-	-	160,000	16,785
2021	-	-	170,000	8,670	-	-	170,000	8,670
Total	\$ 2,830,000	761,233	3,605,000	1,752,935	1,285,000	344,905	7,720,000	2,859,073

Revenue Bonds

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly transfers shall be made to water and sewer reserve accounts until specified required balances have been accumulated. These accounts are restricted for paying principal at maturity or interest on the bonds in the event the sinking account balances are insufficient to make the payments.
- (d) Monthly transfers of \$400 shall be made to the sewer improvement account until the required balance of \$75,000 is accumulated. A sum of \$37,000 shall be paid to the water improvement and extension account at the time of delivery of the bonds. These accounts are restricted for paying principal or interest on the bonds when there is insufficient money in the sinking or reserve accounts, for extraordinary maintenance expenses or repair, renewals and replacements not included in the annual budget of revenues and current expenses, payment of rentals on any part of the system, and for capital improvements to the system.

- (e) All funds remaining in the water accounts after making the required transfers to the sinking, reserve and improvement accounts shall be placed in a surplus account. As long as the sinking, reserve and improvement accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the Utility as the Council may direct.

Bank Loan – On February 7, 2002, the City entered into a loan agreement for \$29,188 to purchase specialized transportation equipment. The agreement requires three annual payments of \$10,341, including 4.50% per annum interest, with the final payment due July 1, 2004. The principal balance at June 30, 2003 was \$19,364.

Lease-Purchase Agreements – In prior years, the City entered into agreements to lease certain equipment under non-cancelable capital leases. The following is a schedule of the future minimum lease payments, including interest ranging from 6.25% to 6.75% per annum, and the present value of net minimum lease payments under agreements in effect at June 30, 2003.

Year Ending June 30,	Park Mower	Cemetery Tractor/ Loader	Total
2004	\$ 6,716	3,741	10,457
Less amount representing interest	(425)	(220)	(645)
Present value of net minimum lease payments	\$ 6,291	3,521	9,812

During the year ended June 30, 2003, \$10,455 was paid on the above leases.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$57,925, \$57,077, and \$53,234, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City also allowed employees to accumulate 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, 2003, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 400
Vacation	8,500
Sick leave	75,000
Holiday	<u>900</u>
Total	<u>\$ 84,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2003. Sick leave is payable when used or, after an employment period of eight years, upon termination, retirement or death. If paid upon termination, retirement or death, one-half of the total accumulated sick leave hours, not to exceed 720 hours, are paid at the effective hourly rate at June 30, 1998 for that employee. Based on this computation, the minimum accumulated sick leave approximated \$14,500 at June 30, 2003.

(6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2003 were \$103,122.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate

per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Monticello also carries commercial insurance purchased from other insurers for coverage associated with airport liability and employee blanket bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Construction Commitment

The City has entered into contracts for aquatic center and parking lot construction, Gill and East Third Street construction, Cedar Street drainage improvements, South Side Water Main Extension, South Side Sanitary Sewer Extension, South Side Elevated Storage and UV Disinfection System Replacement totaling \$5,314,080. At June 30, 2003, \$3,369,781 has been paid on the contracts. Additional payments will be made as work on the projects progresses.

(8) Interfund Loan

During the year ended June 30, 1997, the General Fund, General Account loaned \$38,000 to the Capital Projects Fund, Tax Increment Financing (TIF) Project Account for the purpose of financing project costs within the TIF area. The loan bears interest at 10% per annum and is to be paid back over the nine-year period beginning June 1, 1998. At June 30, 2003, the remaining balance was \$15,000. This balance will be repaid with three equal annual installments of \$5,000 with interest beginning July 1, 2004.

(9) Library Trusts

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

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$8,765 during the year ended June 30, 2003.

(11) Community Economic Betterment Account (CEBA) Loan Program

On February 20, 1997, the City was awarded \$50,000 from the Iowa Department of Economic Development (Department) under a CEBA loan agreement. In a prior year, a forgivable loan agreement was executed among the Department, the City of Monticello and a local company. The City's liability for repayment is limited to its good faith enforcement of the security interest which secures its loan with the local company. At June 30, 2003, the loan balance was \$50,000.

(12) Deficit Balance

The Capital Projects Fund, Tax Increment Financing Projects Account had a deficit balance of \$18,818 at June 30, 2003. The deficit will be eliminated through future receipts.

(13) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2003, disbursements in the capital projects function exceeded the amount budgeted before the budget was amended.

(14) Subsequent Events

In July 2003, the City of Monticello issued \$395,000 of general obligation bonds and entered into construction contracts totaling \$144,355 for the 6th Street Improvement Project, Lindner Court Improvement Project and the Re-paving of Commercial Federal Alley and City's Parking Lot. The City also entered into a loan agreement with Tri-County Bank for new ambulance for \$86,965 with an interest rate of 3.50%.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City's financial activities.

City of Monticello

Supplemental Information

City of Monticello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Drug Control and System Improvement Grant		
	General	Program	Library
Receipts:			
Property tax	\$ 589,625	-	-
Other city tax:			
Mobile home tax	779	-	-
Cable franchising	18,981	-	-
Local option sales tax	207,972	-	-
Utility tax replacement excise tax	28,107	-	-
Hotel/motel tax	-	-	-
	255,839	-	-
Licenses and permits:			
Cigarette	675	-	-
Liquor	6,860	-	-
Building	8,730	-	-
Bicycle	8	-	-
Dog	66	-	-
	16,339	-	-
Use of money and property:			
Interest on investments	18,636	68	344
Rent	61,097	-	-
	79,733	68	344
Intergovernmental:			
State allocation	58,854	-	-
Bank franchise tax	7,987	-	-
County library allocation	-	-	14,074
Fire contracts	51,995	-	-
Federal Emergency Management Agency grant	29,572	-	-
City of Anamosa allocation	-	-	-
Organized crime drug enforcement task force grant	1,671	-	-
State step grant	4,473	-	-
Jones County bulletproof vest grant	941	-	-
State tobacco reimbursement	-	-	-
County ambulance allocation	10,916	-	-
	166,409	-	14,074

Soldiers Memorial Board Maintenance	Monticello Berndes Center	Local Access Channel	Community Policing Program	Hotel/Motel Tax	Total
-	-	-	-	-	589,625
-	-	-	-	-	779
-	-	-	-	-	18,981
-	-	-	-	-	207,972
-	-	-	-	-	28,107
-	-	-	-	10,446	10,446
-	-	-	-	10,446	266,285
-	-	-	-	-	675
-	-	-	-	-	6,860
-	-	-	-	-	8,730
-	-	-	-	-	8
-	-	-	-	-	66
-	-	-	-	-	16,339
-	125	459	28	75	19,735
1,190	12,217	-	-	-	74,504
1,190	12,342	459	28	75	94,239
-	-	-	-	-	58,854
-	-	-	-	-	7,987
-	-	-	-	-	14,074
-	-	-	-	-	51,995
-	-	-	-	-	29,572
-	-	20,028	-	-	20,028
-	-	-	-	-	1,671
-	-	-	-	-	4,473
-	-	-	-	-	941
-	-	-	800	-	800
-	-	-	-	-	10,916
-	-	20,028	800	-	201,311

City of Monticello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Drug Control and System Improvement Grant		
	General	Program	Library
Receipts (continued):			
Charges for service:			
Ambulance calls and services	195,009	-	-
Wheelchair van fees	8,413	-	-
Cemetery fees	18,177	-	-
Clerk fees	538	-	-
Swimming pool fees	82,197	-	-
Park and recreation fees	100	-	-
	304,434	-	-
Miscellaneous:			
Refunds and reimbursements	9,491	-	-
Court fines	13,254	-	-
Parking fines	1,984	-	-
Interfund loan repayment	13,750	-	-
Donations and contributions	-	-	-
Concessions	-	-	-
Fines, fees and gifts	-	-	1,631
Miscellaneous	8,582	-	-
	47,061	-	1,631
Total receipts	1,459,440	68	16,049
Disbursements:			
Public safety:			
Police:			
Personal services	225,581	-	-
Services and commodities	59,564	2,337	-
	285,145	2,337	-
Fire:			
Personal services	15,264	-	-
Services and commodities	31,238	-	-
Capital outlay	124,181	-	-
	170,683	-	-

Soldiers Memorial Board Maintenance	Monticello Berndes Center	Local Access Channel	Community Policing Program	Hotel/Motel Tax	Total
-	-	-	-	-	195,009
-	-	-	-	-	8,413
-	-	-	-	-	18,177
-	-	-	-	-	538
-	-	-	-	-	82,197
-	-	-	-	-	100
-	-	-	-	-	304,434
-	-	-	-	-	9,491
-	-	-	-	-	13,254
-	-	-	-	-	1,984
-	-	-	-	-	13,750
-	1,219	-	125	-	1,344
-	11,347	-	-	-	11,347
-	-	-	-	-	1,631
-	7,658	109	5,014	-	21,363
-	20,224	109	5,139	-	74,164
1,190	32,566	20,596	5,967	10,521	1,546,397
-	-	-	-	-	225,581
-	-	-	3,331	-	65,232
-	-	-	3,331	-	290,813
-	-	-	-	-	15,264
-	-	-	-	-	31,238
-	-	-	-	-	124,181
-	-	-	-	-	170,683

City of Monticello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Drug Control and System Improvement Grant		
	General	Program	Library
Disbursements (continued):			
Public safety:			
Animal control	567	-	-
Ambulance:			
Personal services	153,238	-	-
Services and commodities	40,703	-	-
	193,941	-	-
	650,336	2,337	-
Public works:			
Airport:			
Personal services	16,098	-	-
Services and commodities	15,454	-	-
	31,552	-	-
Street lighting	44,353	-	-
	75,905	-	-
Culture and recreation:			
Park:			
Personal services	55,347	-	-
Services and commodities	21,658	-	-
Capital outlay	5,478	-	-
	82,483	-	-
Aquatic center:			
Personal services	48,197	-	-
Services and commodities	79,053	-	-
Capital outlay	1,214	-	-
	128,464	-	-
Cemetery:			
Personal services	10,976	-	-
Services and commodities	17,139	-	-
	28,115	-	-
Berndes Center:			
Personal services	-	-	-
Services and commodities	-	-	-
	-	-	-

Soldiers Memorial Board Maintenance	Monticello Berndes Center	Local Access Channel	Community Policing Program	Hotel/Motel Tax	Total
-	-	-	-	-	567
-	-	-	-	-	153,238
-	-	-	-	-	40,703
-	-	-	-	-	193,941
-	-	-	3,331	-	656,004
-	-	-	-	-	16,098
-	-	-	-	-	15,454
-	-	-	-	-	31,552
-	-	-	-	-	44,353
-	-	-	-	-	75,905
-	-	-	-	-	55,347
-	-	-	-	-	21,658
-	-	-	-	-	5,478
-	-	-	-	-	82,483
-	-	-	-	-	48,197
-	-	-	-	-	79,053
-	-	-	-	-	1,214
-	-	-	-	-	128,464
-	-	-	-	-	10,976
-	-	-	-	-	17,139
-	-	-	-	-	28,115
-	23,152	-	-	-	23,152
-	35,782	-	-	-	35,782
-	58,934	-	-	-	58,934

City of Monticello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	Drug Control and System Improvement Grant		
	General	Program	Library
Disbursements (continued):			
Culture and recreation:			
Soldiers Memorial:			
Services and commodities	4,931	-	-
Library:			
Personal services	-	-	40,063
Services and commodities	-	-	23,383
	-	-	63,446
Local access channel:			
Personal services	-	-	-
Services and commodities	-	-	-
Capital outlay	-	-	-
	-	-	-
	243,993	-	63,446
General government:			
Tourism promotion:			
Services and commodities	-	-	-
Administration:	-		
Personal services	68,596	-	-
Services and commodities:	155,583	-	-
	224,179	-	-
Mayor and City Council:			
Personal services	9,698	-	-
Professional services:			
Services and commodities	31,559	-	-
	265,436	-	-
Total disbursements	1,235,670	2,337	63,446
Excess (deficiency) of receipts over (under) disbursements	223,770	(2,269)	(47,397)

Soldiers Memorial Board Maintenance	Monticello Berndes Center	Local Access Channel	Community Policing Program	Hotel/Motel Tax	Total
1,544	-	-	-	-	6,475
-	-	-	-	-	40,063
-	-	-	-	-	23,383
-	-	-	-	-	63,446
-	-	22,200	-	-	22,200
-	-	11,361	-	-	11,361
-	-	9,330	-	-	9,330
-	-	42,891	-	-	42,891
1,544	58,934	42,891	-	-	410,808
-	-	-	-	9,402	9,402
-	-	-	-	-	68,596
-	-	-	-	-	155,583
-	-	-	-	-	224,179
-	-	-	-	-	9,698
-	-	-	-	-	31,559
-	-	-	-	9,402	274,838
1,544	58,934	42,891	3,331	9,402	1,417,555
(354)	(26,368)	(22,295)	2,636	1,119	128,842

City of Monticello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General	Drug Control and System Improvement Grant Program	Library
Other financing sources (uses):			
Sale of capital assets	26,044	-	-
Operating transfers in (out):			
General:			
General	-	-	49,226
Library	(49,226)	-	-
Monticello Berndes Center	(15,492)	-	-
Local Access Channel	(19,000)	-	-
Debt Service:			
General Obligation Bonds and Notes	(78,624)	-	-
Capital Projects:			
Capital Improvements	(10,341)	-	-
Total other financing sources (uses)	(146,639)	-	49,226
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	77,131	(2,269)	1,829
Balance beginning of year	674,941	9,470	23,747
Balance end of year	\$ 752,072	7,201	25,576

See accompanying independent auditor's report.

Soldiers Memorial Board Maintenance	Monticello Berndes Center	Local Access Channel	Community Policing Program	Hotel/Motel Tax	Total
-	-	-	-	-	26,044
-	15,492	19,000	-	-	83,718
-	-	-	-	-	(49,226)
-	-	-	-	-	(15,492)
-	-	-	-	-	(19,000)
-	-	-	-	-	(78,624)
-	-	-	-	-	(10,341)
-	15,492	19,000	-	-	(62,921)
(354)	(10,876)	(3,295)	2,636	1,119	65,921
955	12,005	39,951	1,147	6,883	769,099
601	1,129	36,656	3,783	8,002	835,020

City of Monticello
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	CEBA Grant	Employee Benefits
Receipts:			
Property tax	\$ -	-	174,325
Tax increment financing collections	-	-	-
Other city tax:			
Mobile home tax	-	-	234
Utility tax replacement excise tax	-	-	8,413
	-	-	8,647
Use of money and property:			
Interest on investments	-	-	890
Intergovernmental:			
Road use tax allocation	294,309	-	-
Iowa Rural Community Planning grant	-	2,750	-
Community development block grant	-	64,757	-
	294,309	67,507	-
Miscellaneous:			
Donations and contributions	-	-	-
Tree grant/donations	-	2,000	-
Refunds and reimbursements	-	10,149	-
Miscellaneous	-	-	-
	-	12,149	-
Total receipts	294,309	79,656	183,862
Disbursements:			
Public safety:			
Personal services	-	-	93,416
Services and commodities	-	-	-
Capital outlay	-	-	-
	-	-	93,416

Tax Increment Financing	Riverside Gardeners, Inc.	Monticello Volunteer Fire Department	Monticello Emergency Medical Team	Total
-	-	-	-	174,325
344,043	-	-	-	344,043
-	-	-	-	234
-	-	-	-	8,413
-	-	-	-	8,647
1,364	198	1,430	31	3,913
-	-	-	-	294,309
-	-	-	-	2,750
-	-	-	-	64,757
-	-	-	-	361,816
-	8,605	257,646	17,540	283,791
-	-	-	-	2,000
-	-	-	-	10,149
-	2,772	-	-	2,772
-	11,377	257,646	17,540	298,712
345,407	11,575	259,076	17,571	1,191,456
-	-	-	-	93,416
-	-	213,632	10,771	224,403
-	-	-	14,172	14,172
-	-	213,632	24,943	331,991

City of Monticello
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	CEBA Grant	Employee Benefits
Disbursements (continued):			
Public works:			
Personal services	99,407	-	24,986
Services and commodities	116,933	-	-
Capital outlay	76,517	-	-
	<u>292,857</u>	<u>-</u>	<u>24,986</u>
Culture and recreation:			
Personal services	-	-	28,674
Services and commodities	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>28,674</u>
Community and economic development:			
Housing and urban renewal:			
Housing rehabilitation	-	75,103	-
	<u>-</u>	<u>75,103</u>	<u>-</u>
General government:			
Personal services	-	-	16,095
Total disbursements	<u>292,857</u>	<u>75,103</u>	<u>163,171</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,452</u>	<u>4,553</u>	<u>20,691</u>
Other financing uses:			
Operating transfers out:			
Debt Service:			
Tax Increment Financing Bonds	-	-	-
Capital Projects:			
Tax Increment Financing Project	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses	1,452	4,553	20,691
Balance beginning of year	<u>203,743</u>	<u>(89)</u>	<u>64,891</u>
Balance end of year	<u>\$ 205,195</u>	<u>4,464</u>	<u>85,582</u>

See accompanying independent auditor's report.

Tax Increment Financing	Riverside Gardeners, Inc.	Monticello Volunteer Fire Department	Monticello Emergency Medical Team	Total
-	-	-	-	124,393
-	-	-	-	116,933
-	-	-	-	76,517
-	-	-	-	317,843
-	-	-	-	28,674
-	3,435	-	-	3,435
-	14,169	-	-	14,169
-	17,604	-	-	46,278
-	-	-	-	75,103
-	-	-	-	16,095
-	17,604	213,632	24,943	787,310
345,407	(6,029)	45,444	(7,372)	404,146
(277,940)	-	-	-	(277,940)
(170,852)	-	-	-	(170,852)
(448,792)	-	-	-	(448,792)
(103,385)	(6,029)	45,444	(7,372)	(44,646)
103,385	19,902	95,730	24,099	511,661
-	13,873	141,174	16,727	467,015

Schedule 3

City of Monticello
Combining Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

	General Obligation Bonds and Notes	Tax Increment Financing Bonds	Total
Receipts:			
Property tax	\$ 291,957	-	291,957
Other city tax:			
Mobile home tax	227	-	227
Utility tax replacement excise tax	8,167	-	8,167
	8,394	-	8,394
Total receipts	300,351	-	300,351
Disbursements:			
Debt service:			
Principal redeemed	410,350	163,900	574,250
Interest paid	99,567	113,047	212,614
Administration fee	1,108	993	2,101
Total disbursements	511,025	277,940	788,965
Deficiency of receipts under disbursements	(210,674)	(277,940)	(488,614)
Other financing sources:			
Operating transfers in:			
General:			
General	78,624	-	78,624
Special Revenue:			
Tax Increment Financing	-	277,940	277,940
Capital Projects:			
Capital Improvements	10,341	-	10,341
Enterprise:			
Water Revenue Bond Sinking	23,851	-	23,851
Trust:			
Expendable Trusts:			
Family Aquatic Center Campaign	180,932	-	180,932
Total other financing sources	293,748	277,940	571,688
Excess of receipts and other financing sources over disbursements	83,074	-	83,074
Balance beginning of year	12,748	-	12,748
Balance end of year	\$ 95,822	-	95,822

See accompanying independent auditor's report.

City of Monticello
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Capital Improve- ments	Tax Increment Financing Project	Revolving Loan	Low Income Housing	Total
Receipts:					
Use of money and property:					
Interest on investments	\$ 20,765	5,530	381	130	26,806
Intergovernmental:					
Airport state grant	41,832	-	-	-	41,832
Vision Iowa grant	52,474	-	-	-	52,474
DNR infrastructure grant for aquatic center project	10,000	-	-	-	10,000
	104,306	-	-	-	104,306
Special assessments	3,722	31,894	-	-	35,616
Miscellaneous:					
Monticello Development corporation	22,823	-	-	-	22,823
Impact fees	3,000	-	-	-	3,000
	25,823	-	-	-	25,823
Total receipts	154,616	37,424	381	130	192,551
Disbursements:					
Community and economic development:					
Low income housing:					
Services and commodities	-	-	-	112	112
Capital projects:					
Streets:					
Interfund loan:					
Principal redeemed	-	10,000	-	-	10,000
Interest payment	-	3,750	-	-	3,750
Capital outlay	5,654	1,059,194	-	-	1,064,848
	5,654	1,062,944	-	-	1,068,598
Airport:					
Capital outlay	9,795	-	-	-	9,795
Aquatic center:					
Capital outlay	77,693	-	-	-	77,693
City Hall and administration:					
Capital outlay	10,670	-	-	-	10,670

Schedule 4

City of Monticello

Combining Schedule of Cash Transactions

Capital Projects Funds

Year ended June 30, 2003

	Capital Improve- ments	Tax Increment Financing Project	Revolving Loan	Low Income Housing	Total
Disbursements (continued):					
Capital projects:					
Housing:					
Capital outlay	1,305	-	-	-	1,305
Library:					
Capital outlay	8,130	-	-	-	8,130
Total disbursements	113,247	1,062,944	-	-	1,176,191
Excess (deficiency) of receipts over (under) disbursements	41,369	(1,025,520)	381	18	(983,752)
Other financing sources (uses):					
Operating transfers in (out):					
General:					
General	10,341	-	-	-	10,341
Special Revenue:					
Tax Increment Financing	-	170,852	-	-	170,852
Debt Service:					
General Obligation Bonds and Notes	(10,341)	-	-	-	(10,341)
Enterprise:					
Water Improvement	(198,481)	-	-	-	(198,481)
Sewer Improvement	(313,646)	-	-	-	(313,646)
Trust:					
Expendable Trusts:					
Library Building	10,898	-	-	-	10,898
Family Aquatic Center	1,740	-	-	-	1,740
Family Aquatic Center Campaign	100,932	-	-	-	100,932
Total other financing sources (uses)	(398,557)	170,852	-	-	(227,705)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(357,188)	(854,668)	381	18	(1,211,457)
Balance beginning of year	1,928,442	845,850	34,210	11,670	2,820,172
Balance end of year	\$ 1,571,254	(8,818)	34,591	11,688	1,608,715

See accompanying independent auditor's report.

City of Monticello

City of Monticello
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water Operating	Water Improve- ment	Water Revenue Bond Sinking
Receipts:			
Use of money and property:			
Interest on investments	\$ 4,492	1,719	352
Intergovernmental:			
Federal Emergency Management Agency grant	2,491	-	-
Charges for service:			
Sale of water	279,115	-	-
Meter repair	358	-	-
Installations and connections	835	-	-
Garbage bag sales	-	-	-
Customer penalty	4,276	-	-
Sewer rental fees	-	-	-
Sanitation charges	-	-	-
Miscellaneous	254	-	-
	284,838	-	-
Miscellaneous:			
Sales tax collected	19,018	-	-
Sale of meters	1,760	-	-
Customer meter deposits	-	-	-
	20,778	-	-
Total receipts	312,599	1,719	352
Disbursements:			
Business type activities:			
Personal services	82,951	-	-
Services and commodities	72,103	-	-
Capital outlay	32,322	198,481	-

Water Reserve	Sewer Rental	Sewer Improvement	Sewer Sinking	Sewer Reserve	Sanitation	Customer Meter Deposits	Total
-	13,305	4,901	634	-	1,625	1,226	28,254
-	4,546	-	-	-	11,127	-	18,164
-	-	-	-	-	-	-	279,115
-	-	-	-	-	-	-	358
-	-	-	-	-	-	-	835
-	-	-	-	-	46,406	-	46,406
-	4,275	-	-	-	4,276	-	12,827
-	425,552	-	-	-	-	-	425,552
-	-	-	-	-	298,681	-	298,681
-	1,005	-	-	-	3,791	-	5,050
-	430,832	-	-	-	353,154	-	1,068,824
-	7,491	-	-	-	8,322	-	34,831
-	-	-	-	-	-	-	1,760
-	-	-	-	-	-	6,940	6,940
-	7,491	-	-	-	8,322	6,940	43,531
-	456,174	4,901	634	-	374,228	8,166	1,158,773
-	97,873	-	-	-	145,780	-	326,604
-	79,850	-	-	-	195,873	4,579	352,405
-	272,528	313,646	-	-	58,647	-	875,624

City of Monticello
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water Operating	Water Improve- ment	Water Revenue Bond Sinking
Disbursements (continued):			
Business type activities:			
Debt service:			
Principal redeemed	-	-	35,000
Interest paid	-	-	63,694
Administration fee	-	-	362
Total disbursements	<u>187,376</u>	<u>198,481</u>	<u>99,056</u>
Excess (deficiency) of receipts over (under) disbursements	<u>125,223</u>	<u>(196,762)</u>	<u>(98,704)</u>
Other financing sources (uses):			
Operating transfers in (out):			
Debt Service:			
General Obligation Bonds and Notes	-	-	(23,851)
Capital Projects:			
Capital Improvements	-	198,481	-
Enterprise:			
Water Operating	-	-	145,000
Water Revenue Bond Sinking	(145,000)	-	-
Sewer Rental	-	-	-
Sewer Sinking	-	-	-
Total other financing sources (uses)	<u>(145,000)</u>	<u>198,481</u>	<u>121,149</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(19,777)</u>	<u>1,719</u>	<u>22,445</u>
Balance beginning of year	<u>153,001</u>	<u>38,647</u>	<u>8,022</u>
Balance end of year	<u>\$ 133,224</u>	<u>40,366</u>	<u>30,467</u>

See accompanying independent auditor's report.

Water Reserve	Sewer Rental	Sewer Improvement	Sewer Sinking	Sewer Reserve	Sanitation	Customer Meter Deposits	Total
-	-	-	90,000	-	-	-	125,000
-	-	-	124,103	-	-	-	187,797
-	-	-	662	-	-	-	1,024
-	450,251	313,646	214,765	-	400,300	4,579	1,868,454
-	5,923	(308,745)	(214,131)	-	(26,072)	3,587	(709,681)
-	-	-	-	-	-	-	(23,851)
-	-	313,646	-	-	-	-	512,127
-	-	-	-	-	-	-	145,000
-	-	-	-	-	-	-	(145,000)
-	-	-	217,000	-	-	-	217,000
-	(217,000)	-	-	-	-	-	(217,000)
-	(217,000)	313,646	217,000	-	-	-	488,276
-	(211,077)	4,901	2,869	-	(26,072)	3,587	(221,405)
104,962	339,301	87,902	56,029	219,603	146,335	70,427	1,224,229
104,962	128,224	92,803	58,898	219,603	120,263	74,014	1,002,824

City of Monticello
Combining Schedule of Cash Transactions

Trust Funds

Year ended June 30, 2003

	Non-Expendable Trust		
	Cemetery Perpetual Care	Ioma M. Baker Library Trust	Charles S. Bidwell Book Trust
Receipts:			
Use of money and property:			
Interest on investments	\$ -	2,783	3,569
Intergovernmental:			
Enrich Iowa library grant	-	-	-
Library open access	-	-	-
Miscellaneous:			
Perpetual care payments	1,430	-	-
Gates grant	-	-	-
Donations and contributions	-	-	-
Reimbursements	-	-	-
Street bonding	-	-	-
Gain on sale of stock	-	-	84
Miscellaneous	-	-	-
Total receipts	1,430	2,783	3,653
Disbursements:			
Public works:			
Services and commodities	-	-	-
Culture and recreation:			
Services and commodities	-	-	10,699
Total disbursements	-	-	10,699
Excess (deficiency) of receipts over (under) disbursements	1,430	2,783	(7,046)
Other financing uses:			
Operating transfers out:			
Debt Service:			
General Obligation Bonds and Notes	-	-	-
Capital Projects:			
Capital Improvements	-	-	-
Total other financing uses	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,430	2,783	(7,046)
Balance beginning of year	103,025	42,129	103,132
Balance end of year	\$ 104,455	44,912	96,086

See accompanying independent auditor's report.

Expendable Trust									
Library Improve- ments	Cemetery Improve- ments	Street Bonding	Library Building	Library Building Capital Campaign	Earl F. Lehmann	Family Aquatic Center	Family Aquatic Center Campaign	Jones County Expo	Total
896	9,479	-	1,651	5,005	3	15	3,709	-	27,110
1,109	-	-	-	-	-	-	-	-	1,109
131	-	-	-	-	-	-	-	-	131
1,240	-	-	-	-	-	-	-	-	1,240
-	-	-	-	-	-	-	-	-	1,430
14,175	-	-	-	-	-	-	-	-	14,175
855	100,000	-	1,342	60,152	-	-	156,512	-	318,861
128	-	-	-	-	-	-	-	-	128
-	-	25,450	-	-	-	-	-	-	25,450
-	-	-	-	-	-	-	-	-	84
-	-	-	-	-	-	-	-	1	1
15,158	100,000	25,450	1,342	60,152	-	-	156,512	1	360,129
17,294	109,479	25,450	2,993	65,157	3	15	160,221	1	388,479
-	-	22,450	-	-	-	-	-	-	22,450
2,665	12,291	-	-	-	-	-	-	-	25,655
2,665	12,291	22,450	-	-	-	-	-	-	48,105
14,629	97,188	3,000	2,993	65,157	3	15	160,221	1	340,374
-	-	-	-	-	-	-	(180,932)	-	(180,932)
-	-	-	(10,898)	-	-	(1,740)	(100,932)	-	(113,570)
-	-	-	(10,898)	-	-	(1,740)	(281,864)	-	(294,502)
14,629	97,188	3,000	(7,905)	65,157	3	(1,725)	(121,643)	1	45,872
30,116	26,635	300	61,914	111,898	218	1,725	125,294	951	607,337
44,745	123,823	3,300	54,009	177,055	221	-	3,651	952	653,209

City of Monticello
 Bond and Note Maturities
 June 30, 2003

Year Ending June 30,	Essential Corporate Purpose Issued Aug 1, 1993		Essential Corporate Purpose Issued Jun 1, 1994	
	Interest Rates	Amount	Interest Rates	Amount
2004	4.80%	\$ 20,000	5.25%	\$ 30,000
2005	5.00	25,000	5.40	30,000
2006	5.00	25,000	5.50	35,000
2007	5.00	25,000	5.50	35,000
2008	5.00	30,000	5.50	35,000
2009		-	5.50	40,000
2010		-		-
2011		-		-
2012		-		-
2013		-		-
2014		-		-
2015		-		-
2016		-		-
Total		<u>\$ 125,000</u>		<u>\$ 205,000</u>

General Obligation Bonds							
Street Improvement		General Corporate Purpose		Urban Renewal			
Issued Dec 1, 1998		Issued May 1, 2001		Issued Aug 1, 2001			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
4.00%	\$ 60,000	3.90%	\$ 80,000	3.90%	\$ 55,000	245,000	
4.05	60,000	4.00	85,000	3.90	60,000	260,000	
4.10	60,000	4.10	90,000	3.90	60,000	270,000	
4.15	65,000	4.15	90,000	3.90	60,000	275,000	
4.20	70,000	4.25	95,000	4.00	65,000	295,000	
4.25	70,000	4.35	100,000	4.10	70,000	280,000	
4.35	75,000	4.40	110,000	4.20	70,000	255,000	
4.40	75,000	4.50	120,000	4.30	75,000	270,000	
4.45	80,000		-	4.40	75,000	155,000	
4.50	85,000		-	4.50	80,000	165,000	
4.55	90,000		-	4.60	85,000	175,000	
	-		-	4.70	90,000	90,000	
	-		-	4.80	95,000	95,000	
	<u>\$ 790,000</u>		<u>\$ 770,000</u>		<u>\$ 940,000</u>	<u>2,830,000</u>	

City of Monticello
Bond and Note Maturities
June 30, 2003

Year Ending June 30,	Revenue Bonds							Total
	Sewer		Water		Sewer			
	Issued Dec 1, 1998		Issued Mar 15, 2002		Issued Mar 15, 2002			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2004	4.25%	\$ 65,000	2.50%	\$ 45,000	3.00%	\$ 35,000	145,000	
2005	4.25	70,000	3.00	45,000	3.40	35,000	150,000	
2006	4.25	70,000	3.40	50,000	3.70	35,000	155,000	
2007	4.25	75,000	3.70	50,000	4.00	40,000	165,000	
2008	4.25	80,000	3.90	50,000	4.10	40,000	170,000	
2009	4.30	80,000	4.00	55,000	4.20	40,000	175,000	
2010	4.40	85,000	4.15	55,000	4.30	45,000	185,000	
2011	4.50	90,000	4.25	60,000	4.40	45,000	195,000	
2012	4.60	95,000	4.40	60,000	4.50	50,000	205,000	
2013	4.70	100,000	4.50	65,000	4.60	50,000	215,000	
2014	4.75	105,000	4.60	65,000	4.70	50,000	220,000	
2015	4.80	110,000	4.70	70,000	4.80	55,000	235,000	
2016	4.85	115,000	4.89	75,000	4.90	55,000	245,000	
2017	4.90	120,000	4.90	80,000	5.00	60,000	260,000	
2018	5.00	125,000	5.00	80,000	5.00	65,000	270,000	
2019	5.00	135,000	5.00	85,000	5.05	65,000	285,000	
2020		-	5.05	90,000	5.10	70,000	160,000	
2021		-	5.10	95,000	5.10	75,000	170,000	
Total		<u>\$ 1,520,000</u>		<u>\$ 1,175,000</u>		<u>\$ 910,000</u>	<u>3,605,000</u>	

See accompanying independent auditor's report.

Year Ending June 30,	General Obligation Capital Loan Notes					Total
	Industrial Park and Youth Center Projects		Streets, Sidewalks, Ambulance, Water and Sewer Projects			
	Issued Apr 1, 1996		Issued Jan 1, 1997			
	Interest Rates	Amount	Interest Rates	Amount		
2004	4.90%	\$ 25,000	4.875%	\$ 115,000	140,000	
2005		-	4.875	120,000	120,000	
2006		-	4.875	125,000	125,000	
2007		-	4.950	130,000	130,000	
2008		-	5.000	140,000	140,000	
2009		-	5.125	145,000	145,000	
2010		-	5.150	155,000	155,000	
2011		-	5.200	160,000	160,000	
2012		-	5.250	170,000	170,000	
Total		<u>\$ 25,000</u>		<u>\$ 1,260,000</u>	<u>1,285,000</u>	

Schedule 8

City of Monticello

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 1,055,907	946,768	875,392	872,579
Tax increment financing collections	344,043	283,471	279,778	192,774
Other city tax:				
Local option sales tax	207,972	202,577	196,932	201,056
Miscellaneous	75,354	80,301	56,779	21,999
	283,326	282,878	253,711	223,055
Intergovernmental:				
Fire contracts	51,995	52,027	49,804	52,406
Road use tax	294,309	289,332	284,263	285,686
State allocation	58,854	62,015	65,466	65,658
Bank franchise tax	7,987	15,512	9,964	12,983
Community oriented police services universal hiring grant	-	22,233	16,740	39,347
Vision Iowa grant	52,474	150,000	-	-
DNR infrastructure grant for aquatic center project	10,000	90,000	-	-
Airport state grant	41,832	474,775	3,468,054	849,165
County ambulance allocation	10,916	10,797	10,912	10,752
Community development block grant	64,757	11,595	-	295,318
Federal Emergency Management Agency Grant	47,736	-	-	-
City of Anamosa allocation	20,028	19,972	19,000	21,476
Community economic betterment account loan	-	-	50,000	-
IDOT Hwy 38 resurfacing reimbursement	-	-	270,600	-
Miscellaneous	25,949	28,538	27,207	43,321
	686,837	1,226,796	4,272,010	1,676,112
Total	\$ 2,370,113	2,739,913	5,680,891	2,964,520

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Monticello, Iowa as of and for the year ended June 30, 2003, and have issued our report thereon dated November 4, 2003. Our report expressed a qualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, due to the omission of the financial transactions of the Friends of Monticello Public Library, Inc. which should be included. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Monticello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (5) and (10).

Internal Control Over Financial Reporting

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Monticello during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 4, 2003

City of Monticello

Schedule of Findings

Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

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

Recommendation – Internal control could be strengthened and operating efficiency could be increased by integrating the Maintenance Account receipts and disbursements with the City accounting records in the Clerk's office. If this account is not combined with the Clerk's records, the Soldiers Memorial Board should establish an accounting record that would provide sufficient detail to accurately reflect the activity of this account. Monthly reports of activity should be prepared and approved by the Board.

Response – We will request that monthly reports be prepared and approved by the Memorial Board.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming an official depository has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the capital projects function before the budget was amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budgeted amount.

Response – Budget amendments will be prepared in a more timely manner and before disbursements are allowed to exceed.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Dena Himes, Council Member, manager of Boss Office Supplies	Supplies	\$5,845
Jerry Pasker, Planning and Zoning Member, Member/Owner of Netconnect	Services	1,450
Vicky Crowley, Ambulance Board Member, employee of Monticello Medical Clinic	Services and supplies	139
Teri Keleher, Library Board President, Husband owns Keleher’s Jewelry	Supplies	59
Dennis Gray, Soldiers Memorial Board Member, Owner of Lock Shop	Services	1,272

City of Monticello

Schedule of Findings

Year ended June 30, 2003

The transactions for which the cumulative total purchase price per individual for the year was less than \$1,500 do not appear to represent a conflict of interest in accordance with Chapter 362.5 of the Code of Iowa. The transaction with the Council Member may represent a conflict of interest.

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

Response – City will contact legal counsel.

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Bond – No instances of non-compliance with the provisions of the water and sewer revenue bond indentures were noted.
- (10) Monticello Public Library – The Friends of Monticello Public Library, Inc. (Friends) was established as a non-profit corporation, in accordance with Chapter 504A of the Code of Iowa, to receive donations for the benefit of the Monticello Public Library. A document provided by the City indicates a contribution dated July 31, 1992 of 500 shares of Service Corporation International was to be given to the Monticello Public Library. The value of these shares were not recorded by the City and City officials informed us that these shares were given to the Friends of Monticello Public Library, Inc. A document dated December 1, 2002 signed by the donor states that the stock was intended to be given to the Monticello Public Library. The project for which the donation was received has not been started as of the date of this audit. On October 31, 2003 a permanent injunction was issued to freeze all funds of the Friends of the Monticello Public Library, Inc. until this legal matter is resolved.

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

Response – City will continue to work with legal counsel to get the matter resolved.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2003

- (11) Financial Condition – At June 30, 2003, the City had a deficit balance in the Capital Projects Fund, Tax Increment Financing Project Account of \$18,818.

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

Response – City will investigate alternatives to return this account to a sound financial position.

Conclusion – Response accepted.

City of Monticello

Staff

This audit was performed by:

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