

CITY OF MONONA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2005

HAGEN & KALLEVANG, P.C.
Certified Public Accountants

CITY OF MONONA

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CITY OF MONONA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patrick Malanaphy	Mayor (Resigned 8-31-04)	December 31, 2005
Eugene Nevermann	Mayor (Appointed 9-7-04)	December 31, 2005
Eugene Nevermann	Mayor Pro Tem (Resigned 9-7-04)	December 31, 2005
Bernard Bromelkamp	Mayor Pro Tem (Appointed 9-7-04)	December 31, 2005
Mark Willems	Council Member	December 31, 2005
Bernard Bromelkamp	Council Member	December 31, 2007
Wayne McGlanghlin	Council Member (Appointed 9-20-04)	December 31, 2007
Paul Foxwell	Council Member	December 31, 2007
Bonnie Heins	Council Member	December 31, 2005
Loyce Dumke	Administrator/Clerk/Treasurer (Resigned 9-1-04)	January 1, 2005
Steven T. Diers	Administrator/Clerk (Appointed 9-1-04)	January 1, 2006
Loyce Dumke	Deputy Clerk (Appointed 9-1-04)	January 1, 2006
Gregory Schiller	Attorney	January 1, 2006

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Monona, Iowa

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 Monona, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Monona'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 that 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 Monona as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2005 on our consideration of the City'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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 23 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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's basic financial statements. We previously audited, in accordance with the Standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Auditing of States, Local Governments and Non-Profit Organizations, 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.

Hagen & Kallewang, P.C.

November 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Monona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 71.34%, or approximately \$1,461,000, from fiscal 2004 to fiscal 2005. The reason for the substantial increase was due in large part to loan proceeds in the amount of \$1,991,000 for the assisted living center capital project. Government activities overall decreased \$489,000 due mainly to the decrease in contributions given in 2005 compared to 2004.
- Disbursements increased 118.64%, or approximately \$2,170,000, in fiscal 2005 from fiscal 2004. Health and Social Services, Community and Economic Development, General Government, Debt Service, Capital Projects and Transfers net, disbursements increased approximately \$4,000, \$302,000, \$21,000, \$29,000, \$1,996,000, and \$35,000 respectively. While Public Safety, Public Works and Culture and Recreation decreased approximately \$3,000, \$212,000, and \$2,000 respectively.
- The City's total cash basis net assets decreased 32.31%, or approximately \$484,000 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$490,000 and the assets of the business-type activities increased by approximately \$6,000.

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 as well as its outstanding debt.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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, health and social service, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state and federal grants, and debt proceeds finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer systems, solid waste, airport, and Garden View Assisted Living. 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 and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include 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 five Enterprise Funds to provide separate information for the water, sewer, solid waste, and Garden View considered to be major funds and airport fund, considered to be a nonmajor fund of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities

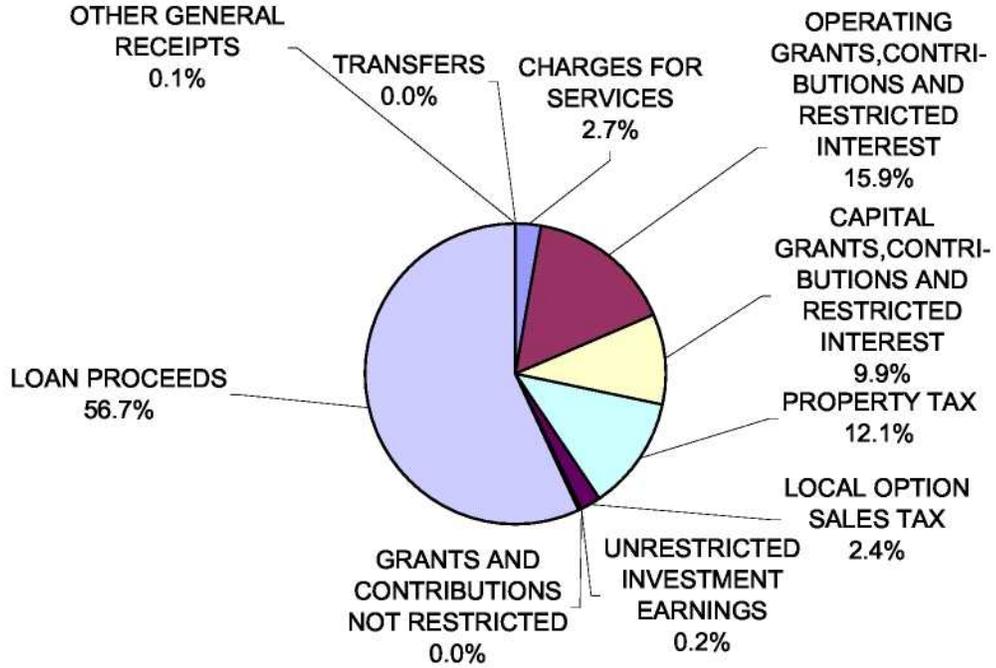
Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

The receipts and disbursements were as follows:

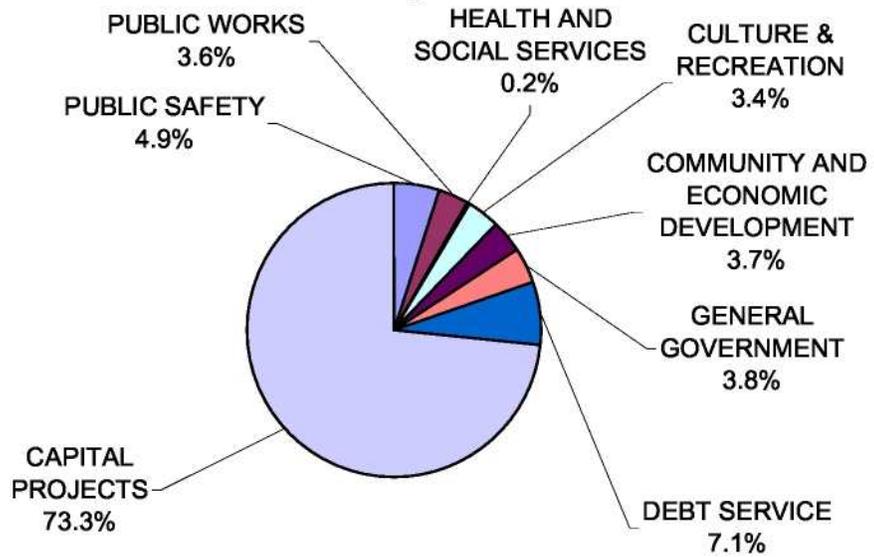
Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended June 30,		
	2005	2004	2003 (Unaudited)
Receipts and transfers:			
Program receipts:			
Charges for service	\$ 93	\$ 128	\$ 32
Operating grants, contributions and restricted interest	558	229	236
Capital grants, contributions and restricted interest	348	1,181	807
General receipts:			
Property tax	421	400	381
Local option sales tax	85	91	82
Grants and contributions not restricted to specific purposes	-	-	-
Unrestricted investment earnings	8	8	24
Loan proceeds	1,991	-	551
Other general receipts	5	7	1
Transfers, net	-	4	4
Total receipts and transfers	<u>3,509</u>	<u>2,048</u>	<u>2,118</u>
Disbursements and transfers:			
Public safety	192	195	147
Public works	141	353	288
Health and social services	7	3	3
Culture and recreation	140	142	93
Community and economic development	367	65	24
General government	171	150	179
Debt service	259	230	105
Capital projects	2,687	691	1,365
Transfers, net	35	-	-
Total disbursements and transfers	<u>3,999</u>	<u>1,829</u>	<u>2,204</u>
Increase (decrease) in cash basis net assets	(490)	219	(86)
Cash basis net assets beginning of year	<u>986</u>	<u>767</u>	<u>853</u>
Cash basis net assets end of year	<u>\$ 496</u>	<u>\$ 986</u>	<u>\$ 767</u>

Receipts by Source



Disbursements by Function



Revenues of the City's governmental activities increased by approximately 71.3% from fiscal year 2004 to 2005 or from \$2,048,268 to \$3,509,116 respectively. Loan proceeds, property tax, operating grants, and contributions created the majority of the increase. Decrease in financing sources included charges for service, capital grants and other general receipts. The City received \$1,900,000 in a USDA-Rural Development low interest loan for the Garden View Assisted Living Center project. Increases in property tax were largely the result of assessing for tort liability insurance.

Disbursements of the City's governmental activities increased by approximately 118.5% from fiscal year 2005 to 2004 or from \$1,829,628 to \$3,998,435. The largest increase was in the function of capital projects where the City spent \$1,995,461 more than the prior year. The City for 2005 spent \$2,342,434 on the assisted living center project.

Business-type Activities:

The City's business-type receipts and disbursements were as follows:

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,		
	2005	2004	2003 (Unaudited)
Receipts and transfers:			
Program receipts:			
Charges for services	\$ 448	\$ 443	\$ 442
General receipts:			
Unrestricted investment earnings	8	6	-
Transfers, net	35	-	-
Total receipts and transfers	<u>491</u>	<u>449</u>	<u>442</u>
Disbursements and transfers:			
Operations	485	376	388
Transfers, net	-	4	4
Total disbursements and transfers	<u>485</u>	<u>380</u>	<u>392</u>
Increase in cash balance	6	69	50
Cash basis net assets beginning of year	<u>512</u>	<u>443</u>	<u>393</u>
Cash basis net assets end of year	<u>\$ 518</u>	<u>\$ 512</u>	<u>\$ 443</u>

Total business-type activities receipts and disbursements increased for the year with the addition of the Garden View (Assisted Living) operation. The Garden View operation generated a net increase of \$8,100 with all the others together had a net decrease of \$2,400 for the net increase to cash of approximately \$6,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$205,217, an increase of more than \$59,287 above last year's total of \$145,930. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$4,000 from the prior year to \$326,108. Decrease was due to planned decrease in reserves as shown on the certified budget.
- The Road Use Tax Fund cash balance increased by \$57,000 to \$133,682 during the fiscal year. This increase was a result of holding back revenues for future street projects.

- The 2003 CDBG Housing Fund cash balance increased by \$31,200. The increase was due to fluctuating balances in the expense of the program and receipt of grant proceeds.
- The Debt Service Fund cash balance increased by \$110 from the prior year to \$12,344. The increase is the result of receiving more property taxes than expected.
- The Capital Project Fund – Assisted Living account cash balance decreased \$348,764 to \$26,414. The project is being funded by contributions, grants, and loan proceeds. The project is expected to be completed by July 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$17,023 to \$181,692 due primarily to the pulling of well No. 2 which is done approximately every seven years.

The Sewer Fund cash balance decreased by \$112 to \$241,069 due primarily to the increased expense in operation.

The Solid Waste cash balance increased by \$13,933 to \$85,027 due to increased usage and more excess garbage revenues.

The Garden View (Assisted Living) is the account to handle operations once the construction project is complete. The City has started to receive advances on units and has incurred other start up costs. At June 30, 2005 the cash balance was \$8,129.

BUDGETARY HIGHLIGHTS

The City amended its budget. The amendment was approved on May 24, 2005 and resulted in an increase in operating disbursements related to increased insurance cost, purchase of equipment, management fee for the assisted living, Techspace economic development, assisted living project and the housing rehab project. Additional revenues to offset the above costs came from sale of equipment, grant for small equipment, donations, grant for economic development, CDBG housing grant and interim financing for assisted living.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$2,550,725 in bonds and other long-term debt, compared to approximately \$804,244 last year, as shown below.

Outstanding Debt at Year-End

	Year ended June 30,		
	2005	2004	2003 (Unaudited)
General obligation notes			
Fire Station	\$ 310,000	\$ 355,000	\$ 400,000
Family Aquatic Center	250,000	275,000	300,000
City Hall	-	18,085	35,931
Special Obligation Loan Agreement Anticipation (project) note	-	156,159	255,907
Revenue notes			
Assisted Living Facility Loan Agreement Anticipation (project) note	1,990,725	-	-
Total	<u>\$ 2,550,725</u>	<u>\$ 804,244</u>	<u>\$ 991,838</u>

The Constitution of the State of Iowa limits the amount of general obligation debt city's 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 \$560,000 is significantly below its constitutional debt limit of \$2,500,430.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors are being considered as we prepare for the next year's budget and setting the rates for property taxes and service rates. There are a few different projects that will fall into the new budget which include the Davis St. extension, Water loop project on E. Iowa St. and potentially a daycare center. We plan on having the budget finished in mid February of 2006.

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 Steven T. Diers, City Admin./Clerk, 104 E Center Street, Monona, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF MONONA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the year ended June 30, 2005

Functions/Programs	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Public safety	\$ (194,250)	\$ 10,361	\$ 36,649	\$ -	\$ (147,240)	\$ -	\$ (147,240)
Public works	(141,102)	2,241	134,272	-	(4,589)	-	(4,589)
Health and social services	(6,978)	-	-	-	(6,978)	-	(6,978)
Culture and recreation	(136,827)	38,495	27,319	-	(71,013)	-	(71,013)
Community and economic development	(145,311)	19,599	358,002	-	232,290	-	232,290
General government	(152,369)	21,831	1,458	-	(129,080)	-	(129,080)
Debt service	(279,785)	-	-	-	(279,785)	-	(279,785)
Capital projects	(2,906,942)	432	-	348,075	(2,558,435)	-	(2,558,435)
Total governmental activities	(3,963,564)	92,959	557,700	348,075	(2,964,830)	-	(2,964,830)
Business type activities							
Water	(120,437)	122,414	-	-	-	1,977	1,977
Sewer	(163,764)	180,790	-	-	-	17,026	17,026
Solid waste	(120,856)	134,626	-	-	-	13,770	13,770
Assisted Living Facility Enterprise	(73,371)	8,601	-	-	-	(64,770)	(64,770)
Airport	(6,514)	7,236	100	-	-	822	822
Total business-type activities	(484,942)	453,667	100	-	-	(31,175)	(31,175)
Total	\$ (4,448,506)	\$ 546,626	\$ 557,800	\$ 348,075	(2,964,830)	(31,175)	(2,996,005)
General Receipts							
Property tax levied for							
General purposes					324,132	-	324,132
Tax increment financing					-	-	-
Debt service					97,126	-	97,126
Local option sales tax					85,417	-	85,417
Grants and contributions not restricted to specific purpose					-	-	-
Unrestricted interest on investments					8,455	2,053	10,508
Bond proceeds					1,990,725	-	1,990,725
Miscellaneous					1,527	-	1,527
Sale of assets					3,000	-	3,000
Transfers					(34,871)	34,871	-
Total general receipts and transfers					2,475,511	36,924	2,512,435
Change in cash basis net assets					(489,319)	5,749	(483,570)
Cash basis net assets beginning of year					985,602	512,608	1,498,210
Cash basis net assets end of year					\$ 496,283	\$ 518,357	\$ 1,014,640
Cash Basis Net Assets							
Restricted							
Streets					\$ 133,682	\$ -	\$ 133,682
Urban renewal purposes					16,283	-	16,283
Debt service					12,344	-	12,344
Other purposes					7,866	-	7,866
Unrestricted					326,108	518,357	844,465
Total cash basis net assets					\$ 496,283	\$ 518,357	\$ 1,014,640

See notes to financial statements.

CITY OF MONONA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENT FUNDS

As of and for the year ended June 30, 2005

	Special Revenue			Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	2003 CDBG Housing		Assisted Living		
Receipts							
Property tax	\$ 260,020	\$ -	\$ -	\$ 95,116	\$ -	\$ 57,423	\$ 412,559
Tax increment financing collections	-	-	-	-	-	-	-
Other city tax	5,476	-	-	2,010	-	86,630	94,116
Licenses and permits	3,323	-	-	-	-	-	3,323
Use of money and property	13,502	-	-	22	2,058	3,729	19,311
Intergovernmental	29,639	128,876	216,888	-	-	148,001	523,404
Charges for service	43,682	-	-	-	-	-	43,682
Special assessments	-	-	-	-	-	-	-
Miscellaneous	26,335	-	19,599	-	73,758	299,304	418,996
Total receipts	381,977	128,876	236,487	97,148	75,816	595,087	1,515,391
Disbursements							
Operating							
Public safety	135,373	-	-	-	-	58,877	194,250
Public works	65,820	71,904	-	-	-	3,378	141,102
Health and social services	3,535	-	-	-	-	3,443	6,978
Culture and recreation	129,178	-	-	-	-	7,649	136,827
Community and economic development	2,479	-	-	-	-	142,832	145,311
General government	125,588	-	-	-	-	26,781	152,369
Debt service	18,990	-	-	97,038	1,673	162,084	279,785
Capital projects	-	-	221,787	-	2,340,761	344,394	2,906,942
Total disbursements	480,963	71,904	221,787	97,038	2,342,434	749,438	3,963,564
Excess of receipts over (under) disbursements	(98,986)	56,972	14,700	110	(2,266,618)	(154,351)	(2,448,173)
Other financing sources (uses)							
Bond proceeds	-	-	-	-	1,990,725	-	1,990,725
Sale of capital assets	3,000	-	-	-	-	-	3,000
Operating transfers in	114,014	-	16,500	-	-	67,574	198,088
Operating transfers out	(58,171)	-	-	-	(72,871)	(101,917)	(232,959)
Total other financing sources (uses)	58,843	-	16,500	-	1,917,854	(34,343)	1,958,854
Net change in cash balances	(40,143)	56,972	31,200	110	(348,764)	(188,694)	(489,319)
Cash balances beginning of year	366,251	76,710	(14,917)	12,234	375,178	170,146	985,602
Cash balances end of year	\$ 326,108	\$ 133,682	\$ 16,283	\$ 12,344	\$ 26,414	\$ (18,548)	\$ 496,283
Cash Basis Fund Balances							
Reserved							
Debt service	\$ -	\$ -	\$ -	\$ 12,344	\$ -	\$ -	\$ 12,344
Unreserved							
General fund	326,108	-	-	-	-	-	326,108
Special revenue funds	-	133,682	16,283	-	-	83,143	233,108
Capital projects fund	-	-	-	-	26,414	(201,691)	(175,277)
Permanent fund	-	-	-	-	-	100,000	100,000
Total cash basis fund balances	\$ 326,108	\$ 133,682	\$ 16,283	\$ 12,344	\$ 26,414	\$ (18,548)	\$ 496,283

See notes to financial statements.

CITY OF MONONA

RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2005

Total governmental funds cash balances (page 12)	\$ 496,283
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Cash basis net assets of governmental activities (page 11)	<u>\$ 496,283</u>
Net change in cash balances (page 12)	\$ (489,319)
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Change in cash balance of governmental activities (page 11)	<u>\$ (489,319)</u>

See notes to financial statements.

CITY OF MONONA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2005

	Enterprise Funds					Total
	Major			Non-Major		
	Water	Sewer	Solid Waste	Garden View (Assisted Living)	Airport	
Operating receipts:						
Use of money and property	\$ 1,800	\$ -	\$ -	\$ -	\$ 4,506	\$ 6,306
Charges for service	115,378	179,426	127,004	8,601	2,712	433,121
Miscellaneous	5,236	1,364	7,622	-	118	14,340
Total operating receipts	<u>122,414</u>	<u>180,790</u>	<u>134,626</u>	<u>8,601</u>	<u>7,336</u>	<u>453,767</u>
Operating disbursements:						
Business-type activities	120,437	163,764	120,856	73,371	6,514	484,942
Total operating disbursements	<u>120,437</u>	<u>163,764</u>	<u>120,856</u>	<u>73,371</u>	<u>6,514</u>	<u>484,942</u>
Excess of operating receipts over (under) operating disbursements	<u>1,977</u>	<u>17,026</u>	<u>13,770</u>	<u>(64,770)</u>	<u>822</u>	<u>(31,175)</u>
Non-operating receipts (disbursements):						
Interest on investments	-	1,862	163	28	-	2,053
Total non-operating receipts (disbursements)	<u>-</u>	<u>1,862</u>	<u>163</u>	<u>28</u>	<u>-</u>	<u>2,053</u>
Excess of receipts over (under) disbursements	<u>1,977</u>	<u>18,888</u>	<u>13,933</u>	<u>(64,742)</u>	<u>822</u>	<u>(29,122)</u>
Transfers						
Operating transfers in	-	-	-	72,871	-	72,871
Operating transfers out	(19,000)	(19,000)	-	-	-	(38,000)
	<u>(19,000)</u>	<u>(19,000)</u>	<u>-</u>	<u>72,871</u>	<u>-</u>	<u>34,871</u>
Net change in cash balances	<u>(17,023)</u>	<u>(112)</u>	<u>13,933</u>	<u>8,129</u>	<u>-</u>	<u>822</u>
Cash balances beginning of year	198,715	241,181	71,094	-	1,618	512,608
Cash balances end of year	<u>\$ 181,692</u>	<u>\$ 241,069</u>	<u>\$ 85,027</u>	<u>\$ 8,129</u>	<u>\$ 2,440</u>	<u>\$ 518,357</u>
Cash Basis Fund Balance						
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	181,692	241,069	85,027	8,129	2,440	518,357
Total cash basis fund balances	<u>\$ 181,692</u>	<u>\$ 241,069</u>	<u>\$ 85,027</u>	<u>\$ 8,129</u>	<u>\$ 2,440</u>	<u>\$ 518,357</u>

See notes to financial statements.

CITY OF MONONA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -
PROPRIETARY FUNDS

As of and for the year ended June 30, 2005

Total enterprise funds cash balances (page 14)	\$ 518,357
Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Cash basis net assets of business-type activities (page 11)	<u>\$ 518,357</u>
Net change in cash balances (page 14)	\$ 5,749
Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Change in cash balance of business-type activities (page 11)	<u>\$ 5,749</u>

See notes to financial statements.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Monona is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1897 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, health and social service, culture and recreation, community and economic development and general government. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Monona 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 Monona (the primary government) and the following component unit: the Monona Fire Department. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Monona Fire Department 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 Monona Fire Department has been established to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety and to answer all emergency calls for which there is no other established agency. Although the Monona Fire Department is legally separate from the City, its purpose is to benefit the City of Monona (the primary government) by providing the above services and by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Solid Waste 28E Commission, Clayton County Emergency Management Commission, Clayton County Joint E911 Service Board, Upper Explorerland Regional Housing Authority, Clayton County Tourism and Economic Development Commission, Clayton County Elected Officials, and Clayton County Assessors Conference Board.

CITY OF MONONA
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

Government-wide Financial Statements – 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. Government 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 services.

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 that do not meet 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 enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds as are all remaining proprietary funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The 2003 CDBG Housing Fund is used to account for costs to improve housing for individuals.

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

CITY OF MONONA
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Capital Projects:

The Assisted Living Fund accounts for the financing and construction of an assisted living facility to which will provide housing and service to those citizens needing such service.

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 wastewater treatment and solid waste sewer system.

The Solid Waste Fund accounts for the operation of solid waste collections and disposal services.

The Garden View (Assisted Living) Enterprise Fund accounts for the operation and maintenance of the City's assisted living facility.

C. Measurement Focus and 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, and debt service functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 2 - CASH AND POOLED INVESTMENTS (continued)

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.

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2006	\$ 75,000	\$ 24,012
2007	80,000	21,163
2008	80,000	17,992
2009	85,000	14,658
2010	85,000	10,928
2011 - 2013	155,000	11,760
	<u>\$ 560,000</u>	<u>\$ 100,513</u>

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service Fund. The final payment on the City Hall bond was paid from the General Fund.

The City on July 6, 2004 entered into a loan agreement with a local bank to provide interim financing for construction costs for a City owned assisted living facility. The terms allow for a maximum borrowing of \$2,770,000 at 3.9%. The note is due July 1, 2006. As of June 30, 2005 \$1,990,725 had been advanced to the City. The interim note will eventually be paid with proceeds from a loan acquired through the Federal government.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 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, 2005, 2004, and 2003 were \$20,125, \$17,586, and \$17,771, respectively, equal to the required contributions for each year.

NOTE 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's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Vacation	\$ 15,353
Sick leave	<u>76,845</u>
Total	<u>\$ 92,198</u>

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

Sick leave is forfeited if not used by the employee before termination, retirement, or death except those reaching age 65 or 25 years of service.

CITY OF MONONA
 NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 6 - INTERFUND TRANSFERS

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

Transfer to		Transfer from	
General		Special Revenue	
General account	<u>\$ 85,417</u>	Local Option Sales Tax	<u>\$ (85,417)</u>
		General	
Fire Equipment Replacement account	10,000	General account	(10,000)
Library account	<u>18,597</u>	General account	<u>(18,597)</u>
	<u>28,597</u>		<u>(28,597)</u>
	<u>\$ 114,014</u>		
Capital Project			
Pool Improvement	<u>\$ 18,374</u>	General account	\$ (18,374)
Monroe	<u>\$ 10,000</u>	General account	(10,000)
Special Revenue			
Library Trust	<u>\$ 1,200</u>	Library account	(1,200)
			<u>\$ (58,171)</u>
Special Revenue		Special Revenue	
2003 CDBG Housing	<u>\$ 16,500</u>	CDBG Housing	<u>\$ (16,500)</u>
Capital Project		Enterprise	
Gordon Subdivision	<u>\$ 19,000</u>	Water	<u>\$ (19,000)</u>
Gordon Subdivision	<u>\$ 19,000</u>	Sewer	<u>\$ (19,000)</u>
Enterprise		Capital Project	
Garden View	<u>\$ 72,871</u>	Assisted Living	<u>\$ (72,871)</u>

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2005

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City employees and officials totaling \$561 during the year ended June 30, 2005.

NOTE 8 - 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.

NOTE 9 - DEFICIT FUND BALANCE

The City had the following accounts with deficit balances at June 30, 2005:

Special Revenue	
Employee benefits	\$ 14,326
Capital Projects	
Gordon subdivision	198,906
Monroe Street	13,150

The deficits are expected in the near future to be eliminated upon receipt of monies from various sources.

NOTE 10 - GENERAL FUND BALANCE

The City has designated \$84,616 of the \$326,108 General Fund cash balance for future library operations and equipment replacement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONONA
 BUDGET COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) -
 ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 As of and for the year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts							
Property tax	\$ 412,559	\$ -	\$ -	\$ 412,559	\$ 410,688	\$ 410,688	\$ 1,871
Tax increment financing collections	-	-	-	-	-	-	-
Other city tax	94,116	-	-	94,116	89,521	89,521	4,595
Licenses and permits	3,323	-	-	3,323	2,350	2,350	973
Use of money and property	19,311	6,306	712	24,905	13,995	13,995	10,910
Intergovernmental	523,404	-	418	522,986	2,511,285	2,691,085	(2,168,099)
Charges for service	43,682	433,121	-	476,803	467,300	467,300	9,503
Special assessments	-	-	-	-	-	-	-
Miscellaneous	418,996	14,340	30,859	402,477	356,145	755,955	(353,478)
Total receipts	1,515,391	453,767	31,989	1,937,169	3,851,284	4,430,894	(2,493,725)
Disbursements							
Public safety	194,250	-	25,250	169,000	153,219	190,829	(21,829)
Public works	141,102	-	-	141,102	186,603	186,603	(45,501)
Health and social services	6,978	-	-	6,978	3,584	76,405	(69,427)
Culture and recreation	136,827	-	-	136,827	134,684	134,684	2,143
Community and economic development	145,311	-	-	145,311	6,900	148,900	(3,589)
General government	152,369	-	-	152,369	159,104	159,104	(6,735)
Debt service	279,785	-	-	279,785	116,606	116,606	163,179
Capital projects	2,906,942	-	-	2,906,942	2,569,894	3,469,894	(562,952)
Business-type activities	-	482,889	-	482,889	401,197	401,197	81,692
Total disbursements	3,963,564	482,889	25,250	4,421,203	3,731,791	4,884,222	(463,019)
Excess of receipts over (under) disbursements	(2,448,173)	(29,122)	6,739	(2,484,034)	119,493	(453,328)	(2,030,706)
Other financing sources, net	1,958,854	34,871	-	1,993,725	-	572,821	1,420,904
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(489,319)	5,749	6,739	(490,309)	119,493	119,493	(609,802)
Balances beginning of year	985,602	512,608	42,164	1,456,046	744,405	744,405	711,641
Balances end of year	\$ 496,283	\$ 518,357	\$ 48,903	\$ 965,737	\$ 863,898	\$ 863,898	\$ 101,839

See accompanying independent auditor's report.

CITY OF MONONA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds, and Fiduciary Funds. The City had no Internal Service or Fiduciary Funds for the year ended June 30, 2005. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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, the budget was amended once to increase disbursements by \$1,152,431. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, debt service, and business-type activities functions.

CITY OF MONONA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2005

	Special Revenue									Capital Projects	Permanent	Total
	Employee Benefits	Local Option Sales Tax	CDBG Housing	1998 CDBG Housing	EDSA Grant	Monona Fire Department	Community Center	Library Trust	Health	Other	Reusser Improvement	
Receipts												
Property tax	\$ 57,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,423
Other city tax	1,213	85,417	-	-	-	-	-	-	-	-	-	86,630
Use of money and property	-	-	-	-	-	712	19	19	-	-	2,523	3,729
Intergovernmental	-	-	-	-	141,114	418	-	-	-	6,469	-	148,001
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	521	-	-	-	-	30,859	254	1,448	-	266,222	-	299,304
Total receipts	59,157	85,417	-	-	141,114	31,989	273	1,467	-	273,147	2,523	595,087
Disbursements												
Operating												
Public safety	33,627	-	-	-	-	25,250	-	-	-	-	-	58,877
Public works	3,378	-	-	-	-	-	-	-	-	-	-	3,378
Health and social services	-	-	-	-	-	-	-	3,443	-	-	-	3,443
Culture and recreation	2,882	-	-	-	-	-	4,767	-	-	-	-	7,649
Community and economic development	-	-	-	219	140,090	-	-	-	-	-	2,523	142,832
General government	26,781	-	-	-	-	-	-	-	-	-	-	26,781
Debt service	-	-	-	-	-	-	-	-	-	162,084	-	162,084
Capital projects	-	-	-	-	-	-	-	-	-	344,394	-	344,394
Total disbursements	66,668	-	-	219	140,090	25,250	-	4,767	3,443	506,478	2,523	749,438
Excess of receipts over (under) disbursements	(7,511)	85,417	-	(219)	1,024	6,739	273	(3,300)	(3,443)	(233,331)	-	(154,351)
Transfers												
Operating transfers in	-	-	-	-	-	-	-	1,200	-	66,374	-	67,574
Operating transfers out	-	(85,417)	(16,500)	-	-	-	-	-	-	-	-	(101,917)
Total other financing sources (uses)	-	(85,417)	(16,500)	-	-	-	-	1,200	-	66,374	-	(34,343)
Net change in cash balances	(7,511)	-	(16,500)	(219)	1,024	6,739	273	(2,100)	(3,443)	(166,957)	-	(188,694)
Cash balances beginning of year	(6,815)	-	18,220	25,328	-	42,164	2,319	5,853	17,811	(34,734)	100,000	170,146
Cash balances end of year	\$ (14,326)	\$ -	\$ 1,720	\$ 25,109	\$ 1,024	\$ 48,903	\$ 2,592	\$ 3,753	\$ 14,368	\$ (201,691)	\$ 100,000	\$ (18,548)
Cash Basis Fund Balances												
Unreserved												
Special revenue funds	\$ (14,326)	\$ -	\$ 1,720	\$ 25,109	\$ 1,024	\$ 48,903	\$ 2,592	\$ 3,753	\$ 14,368	\$ -	\$ -	\$ 83,143
Capital projects fund	-	-	-	-	-	-	-	-	-	(201,691)	-	(201,691)
Permanent fund	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Total cash basis fund balances	\$ (14,326)	\$ -	\$ 1,720	\$ 25,109	\$ 1,024	\$ 48,903	\$ 2,592	\$ 3,753	\$ 14,368	\$ (201,691)	\$ 100,000	\$ (18,548)

See accompanying independent auditor's report.

CITY OF MONONA
STATEMENT OF INDEBTEDNESS
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Notes								
City Hall	Aug. 4, 1998	4.90%	\$ 115,000	\$ 18,085	\$ -	\$ 18,085	\$ -	\$ 905
Fire Station	Nov. 1, 2001	3.50 - 4.90%	400,000	355,000	-	45,000	310,000	15,843
Special Obligation Loan Agreement								
Anticipation (Project) Note	Oct. 7, 2002	4.50%	255,907	156,159	-	156,159	-	5,924
Family Aquatic Center	Dec. 1, 2002	2.30 - 4.50%	300,000	275,000	-	25,000	250,000	10,645
				<u>\$ 804,244</u>	<u>\$ -</u>	<u>\$ 244,244</u>	<u>\$ 560,000</u>	<u>\$ 33,317</u>
Revenue Notes								
Assisted Living Facility Loan Agreement								
Anticipation (Project) Note	July 6, 2004	3.90%	\$ 2,770,000	\$ -	\$ 1,990,725	\$ -	\$ 1,990,725	\$ 1,673

See notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MONONA
BOND AND NOTE MATURITIES

June 30, 2005

GENERAL OBLIGATION BONDS AND NOTES

Year Ending June 30,	Fire Station Issued Nov 1, 2001		Family Aquatic Center Issued Dec 1, 2002		Total
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2006	4.15%	\$ 50,000	3.10%	\$ 25,000	\$ 75,000
2007	4.30	50,000	3.40	30,000	80,000
2008	4.45	50,000	3.70	30,000	80,000
2009	4.60	55,000	4.00	30,000	85,000
2010	4.75	55,000	4.15	30,000	85,000
2011	4.90	50,000	4.30	35,000	85,000
2012		-	4.40	35,000	35,000
2013		-	4.50	35,000	35,000
		<u>\$ 310,000</u>		<u>\$ 250,000</u>	<u>\$560,000</u>

The Assisted Living Facility Revenue Loan Agreement Anticipation(Project) Note matures on July 1, 2006.
Funds borrowed as of June 30, 2005 is \$1,990,725.

CITY OF MONONA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

Two Years ended June 30,

	2005	2004
Receipts		
Property tax	\$ 412,559	\$ 390,503
Tax increment financing collections	-	-
Other city tax	94,116	100,078
Licenses and permits	3,323	3,063
Use of money and property	19,311	22,255
Intergovernmental	523,404	350,684
Charges for service	43,682	42,116
Special assessments	-	-
Miscellaneous	418,996	1,135,935
Total	<u>\$ 1,515,391</u>	<u>\$ 2,044,634</u>
Disbursements		
Operating		
Public safety	\$ 194,250	\$ 194,939
Public works	141,102	353,285
Health and social services	6,978	3,285
Culture and recreation	136,827	141,883
Community and economic development	145,311	64,376
General government	152,369	150,343
Debt service	279,785	230,150
Capital projects	2,906,942	691,367
Total	<u>\$ 3,963,564</u>	<u>\$ 1,829,628</u>

See accompanying independent auditor's report.

CITY OF MONONA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditure
Direct			
U.S. Department of Agriculture Community Facilities Loans and Grants	10.766	16-022-0426004974	<u>\$ 1,990,725</u>
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607		<u>278</u>
Indirect			
U.S. Department of Housing and Urban Development Iowa Department of Economic Development Community Development Block Grants State's Program	14.228	03-HSG-057	216,888
	14.228	03-ED-012	<u>140,090</u>
			<u>356,978</u>
U.S. Department of Homeland Security Iowa Department of Public Defense Iowa Homeland Security and Emergency Management Division Public Assistance Grant	97.036	FEMA DR-1518-IA Public Assistance	11,586
Hazard Mitigation Grant Program	97.039	0996-0264	<u>1,458</u>
Total			<u><u>\$ 2,361,025</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of West Union and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Monona, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 8, 2005. Our report expressed an unqualified opinion on the primary government 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 Monona'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Monona's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-05 and II-C-05 are material weaknesses.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Monona. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Monona, and other parties to whom the City of Monona may report including federal awarding agencies and pass-through entities. 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 City of Monona 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.

Hagen + Kallivang P.C.

November 8, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council:
City of Monona

Compliance

We have audited the compliance of the City of Monona, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2005. The City of Monona's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Monona's management. Our responsibility is to express an opinion on the City of Monona's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular Aa-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Monona's compliance with those requirements.

In our opinion, the City of Monona complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed no instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the City of Monona is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Monona's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the City of Monona's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-05 is a material weakness.

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 Monona and other parties to whom the City of Monona may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Hagen + Kallevang, P.C.

November 8, 2005

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- a. An unqualified opinion was issued on the financial statements which 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.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any non-compliance which is material to the financial statements. A reportable condition in internal control over the major programs was disclosed by the audit of the financial statements, including a material weakness.
- d. A reportable condition in internal control over the major programs was disclosed by the audit of financial statements, including a material weakness.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were:
 - CFDA Number 10.766 – Community Facilities Loans and Grants
 - CFDA Number 14.228 – Community Development Block Grants/State's Program
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Monona did not qualify as a low-risk auditee.

CITY OF MONONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2005

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No material matters were noted

Reportable conditions

II-A-05

Segregation of Duties - The City is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control.

Recommendation - We realize this condition will be difficult to improve on. However, we do believe it is important that council be aware this condition does exist and make changes when appropriate and cost effective.

Response -The City Council is aware of the lack of adequate segregation, and continues to strive to have as many check and balances in place within the office and in the reporting to the city council.

Conclusion - Response accepted.

II-B-05

Invoices - Invoices paid by the City do not exhibit directly on the documentation that they have been paid.

Recommendation - We recommend the City attach a statement to the invoice that it has been paid. A printing stamp noted "paid" could be acquired and then affixed to the invoice.

Response - The City has acquired a "PAID" stamp and is now affixed to all paid invoices.

Conclusion - Response accepted.

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued)

II-C-05

Cash receipts - Cash receipt controls outside of the Clerk's office were lacking in areas noted:

- a. The procedure of giving a patron a receipt for such cash transactions as a fine payment, copying fee, placing a fax, or receiving a donation were not always given.
- b. Some of the reports available in the library's software related to fines being assessed and later removed were not being utilized to reconcile against actual cash counts and transactions.
- c. Receipts not being deposited intact and timely.

Recommendation - We recommend the City review its policies and procedures and follow them with consistency. The policies and procedures should be reiterated to the employees with an emphasis on the need to follow them. If not followed, continued employment with the City may be in jeopardy.

Response - The City has reviewed the policy and procedures with an emphasis on the library and have worked in cooperation with the library to develop better controls for the tracking of money receipts including fines, copying, faxing, and donations. The library has also implemented a new personnel policy that explains how failure to follow these procedures could result in termination from City employment.

Conclusion - Response accepted.

Part III – Findings and Questioned Costs for Federal Awards

Instance of non-compliance

No matters were noted

Reportable Condition

All Federal Programs

III-A-05

Segregation of Duties

See item II-A-05

Part IV: Other Findings Related to Statutory Reporting

IV-A-05

Official Depositories - A resolution naming official depositories has been adopted by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year. The resolution has not been adopted annually.

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting (continued)

IV-B-05

Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the culture and recreation, debt service, and business-type activities functions. 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 amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget was amended in May knowing it would be sufficient to cover the extra expenditures. Additional expenditures were made after the amendment that were not anticipated in May. In the future we will try to process the amendment being more critical of upcoming expenditures with sufficient amounts.

Conclusion - Response accepted.

IV-C-05

Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05

Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05

Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Patrick Malanaphy, Mayor Owner of Monona Greenhouse	General Landscaping/flowers	\$ 270
Mark Willems, Council Member Owner of D & J Feed Service, Inc.	Supplies	41
William Benda, Employee Owner of Benda Concrete	Concrete	250

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with City officials and employee do not appear to represent a conflict of interest since total transactions with each were less than \$1,500 during the fiscal year.

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting (continued)

IV-F-05

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.

IV-G-05

Council Minutes - We noted the actual payment for a vehicle was higher than the bid approved by Council. The change order was not presented to the council.

Recommendation - We recommend the City review its procedures to make sure all transactions are recorded in the minutes, including documenting of change orders.

Response - The City Council was aware of the last minute amenity that was added to the vehicle before it was delivered. In the future we will change our procedures for those types of change orders.

Conclusion - Response accepted.

IV-H-05

Deposits and Investments –

A. The City has been receiving donations in the form of stock securities. The City passed a resolution to accept them but have not updated their investment policy to allow them. The policy also does not reflect current code sections of the Code of Iowa.

Recommendation - We recommend the City update the policy to reflect the above comment. Also the City should consider reviewing the policy at designated times thus enabling new officials and employees to know the limitations of the policy.

Response - The investment policy will be updated.

Conclusion - Response accepted.

B. The City did not receive the minimum interest rate on a time certificate.

Recommendation - We recommend the City contact the local bank and request a check for the difference of what the City should have earned and what it was paid.

Response - The City did contact the bank of the disparity of interest rate. We did receive the additional interest.

Conclusion - Response accepted.

CITY OF MONONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting (continued)

IV-I-05

Financial Conditions - Several accounts had deficit balances at June 30, 2005.

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the accounts to a sound financial position.

Response - Two of the three deficits involve capital projects and will be returned to a zero balance when projects and permanent financing is completed. The City Council is aware of the third account and is in the process of returning it to a sound financial position.

Conclusion - Response accepted.