CITY OF MONONA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2006

CITY OF MONONA

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CITY OF MONONA

OFFICIALS

(Before January 2006)

Name	Title	Term Expires
Eugene Nevermann	Mayor	December 31, 2005
Bernard Bromelkamp	Mayor Pro Tem	December 31, 2005
Bonnie Heins	Council Member	December 31, 2005
Mark Willems	Council Member	December 31, 2005
Wayne McGlanghlin	Council Member	December 31, 2007
Paul Foxwell	Council Member	December 31, 2007
Steven T. Diers	Administrator/Clerk	January 1, 2006
Loyce Dumke	Deputy Clerk	January 1, 2006
Gregory Schiller	Attorney	January 1, 2006

(After January 2006)

Eugene Nevermann	Mayor	December 31, 2007
Bernard Bromelkamp	Mayor Pro Tem	December 31, 2007
Paul Foxwell	Council Member	December 31, 2007
Bonnie Heins	Council Member	December 31, 2007
Wayne McGlanghlin	Council Member	December 31, 2009
Mark Willems	Council Member	December 31, 2009
Steven T. Diers	Administrator/Clerk	January 1, 2007
Loyce Dumke	Deputy Clerk	January 1, 2007
Gregory Schiller	Attorney	January 1, 2007

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of 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, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2006 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.

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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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the Standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions for 2005 and qualified opinions for 2004 on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 + Kallevang, P.C.

December 22, 2006

BASIC FINANCIAL STATEMENTS

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

2006 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 25.1%, or approximately $881,000, from fiscal 2005 to fiscal 2006. The biggest change was in loan proceeds from $1,991,000 to $3,391,000 due mainly to long term financing proceeds for Garden View Assisted Living Center.

- Disbursements increased 4.1%, or approximately $164,000, in fiscal 2006 from fiscal 2005. Public Works, Culture and Recreation and Debt Service increased approximately $114,000, $6,000 and $2,511,000 respectively. While Public Safety, Health and Social Services, Community and Economic Development, General Government, Capital Projects and Transfers, net decreased approximately $16,000, $4,000, $357,000, $3,000, $2,064,000 and $23,000 respectively.

- The City's total cash basis net assets increased $340,000 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately $227,000 and the assets of the business-type activities increased by approximately $113,000.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

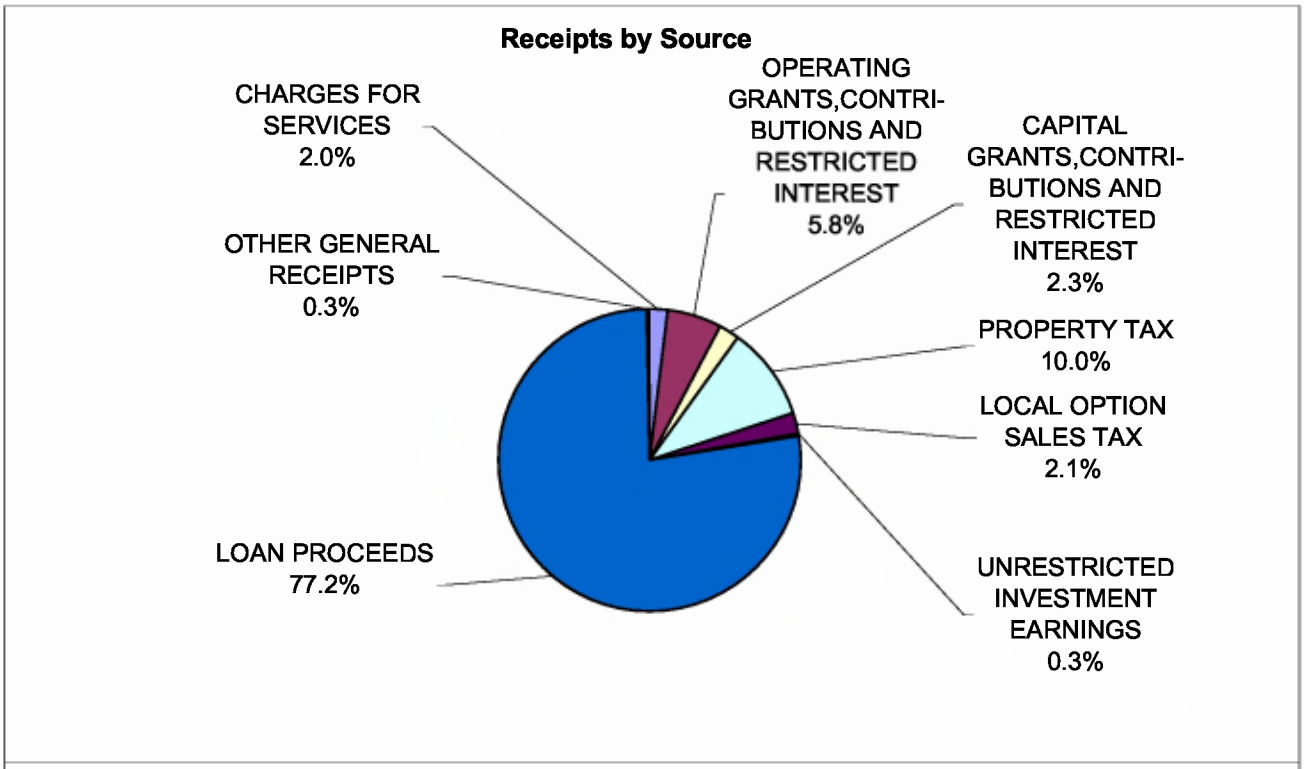
Governmental Activities

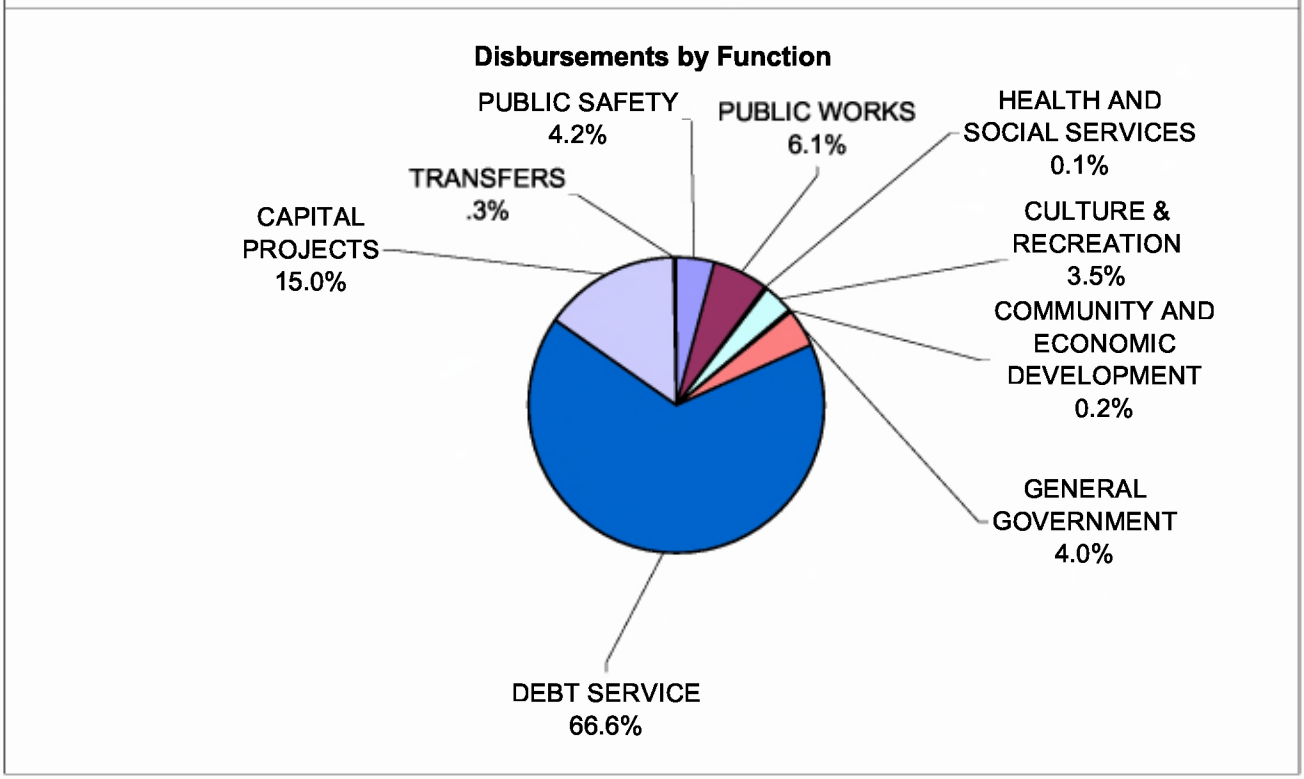
Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

The receipts and disbursements were as follows:

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

	Year ended June 30,			
	2006	2005	2004	2003
Receipts and transfers:				(Unaudited)
Program receipts:				
Charges for service	$ 88	$ 93	$ 128	$ 32
Operating grants, contributions and restricted interest	255	558	229	236
Capital grants, contributions and restricted interest	101	348	1,181	807
General receipts:				
Property tax	439	421	400	381
Local option sales tax	92	85	91	82
Grants and contributions not restricted to specific purposes	-	-	-	-
Unrestricted investment earnings	13	8	8	24
Loan proceeds	3,391	1,991	-	551
Other general receipts	11	5	7	1
Transfers, net	-	-	4	4
Total receipts and transfers	4,390	3,509	2,048	2,118
Disbursements and transfers:				
Public safety	176	192	195	147
Public works	255	141	353	288
Health and social services	3	7	3	3
Culture and recreation	146	140	142	93
Community and economic development	10	367	65	24
General government	168	171	150	179
Debt service	2,770	259	230	105
Capital projects	623	2,687	691	1,365
Transfers, net	12	35	-	-
Total disbursements and transfers	4,163	3,999	1,829	2,204
Increase (decrease) in cash basis net assets	227	(490)	219	(86)
Cash basis net assets beginning of year	496	986	767	853
Cash basis net assets end of year	$ 723	$ 496	$ 986	$ 767


Receipts by Source
CHARGES FOR SERVICES 2.0%
OPERATING GRANTS,CONTRI-BUTIONS AND RESTRICTED INTEREST 5.8%
CAPITAL GRANTS,CONTRI-BUTIONS AND RESTRICTED INTEREST 2.3%
OTHER GENERAL RECEIPTS 0.3%
PROPERTY TAX 10.0%
LOCAL OPTION SALES TAX 2.1%
LOAN PROCEEDS 77.2%
UNRESTRICTED INVESTMENT EARNINGS 0.3%


Disbursements by Function
PUBLIC SAFETY 4.2%
PUBLIC WORKS 6.1%
HEALTH AND SOCIAL SERVICES 0.1%
TRANSFERS .3%
CAPITAL PROJECTS 15.0%
CULTURE & RECREATION 3.5%
COMMUNITY AND ECONOMIC DEVELOPMENT 0.2%
GENERAL GOVERNMENT 4.0%
DEBT SERVICE 66.6%

Revenues of the City's governmental activities increased by approximately 25.1% from fiscal year 2005 to 2006 or from $3,509,116 to $4,389,327 respectively. Loan proceeds, property tax, and local option sales tax created the majority of the increase. Decrease in financing sources included charges for service, operating and capital grants and contribution receipts. The City received in USDA-Rural Development low interest loans for the Garden View Assisted Living Center project of which $620,961 was for construction loan and permanent financing of another $2,770,000.

Disbursements of the City's governmental activities increased by approximately 4.1% from fiscal year 2005 to 2006 or from $3,998,435 to $4,162,906. The largest increase was in the function debt service where the City paid off interim financing for Garden View at $2,611,686.

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,			
	2006	2005	2004	2003
				(Unaudited)
Receipts and transfers:				
Program receipts:				
Charges for services	$ 823	$ 448	$ 443	$ 442
General receipts:				
Grants	6	-	-	-
Unrestricted investment earnings	4	8	6	-
Transfers, net	12	35	-	-
Total receipts and transfers	845	491	449	442
Disbursements and transfers:				
Operations	732	485	376	388
Transfers, net	-	-	4	4
Total disbursements and transfers	732	485	380	392
Increase in cash balance	113	6	69	50
Cash basis net assets beginning of year	518	512	443	393
Cash basis net assets end of year	$ 631	$ 518	$ 512	$ 443

Total business-type activities receipts for the fiscal year were $845,000 compared to $491,000 last year. This increase of $354,000 was due in large part to Garden View Assisted Living. Water, sewer, and garbage usage also increased slightly.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of $722,704, an increase of more than $226,421 above last year's total of $496,283. 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 $19,615 from the prior year to $306,493. Decrease was due to planned decrease in reserves as shown on the certified budget.
- The Road Use Tax Fund cash balance decreased by $33,029 to $100,653 during the fiscal year. This decrease was caused by spending on street projects and equipment.
- The 2003 CDBG Housing Fund cash balance decreased by $63,616 to a deficit of $47,333. The deficit was due to the city waiting for reimbursements from IDED.

- The Debt Service Fund cash balance decreased by $412 to $11,932.
- The Capital Project Fund – Assisted Living account cash balance increased $148,694. This increase was due to continued contributions and the direct and guaranteed loans for the project received in advance of final costs.
- The Capital Project Fund – Day Care account has $22,000 of initial costs. The City is considering it as a major fund this year so it can be comparable for next year when the project is in the construction phase.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by $4,975 to $186,667 due to increased usage and annual savings transfers.

The Sewer Fund cash balance increased by $58,768 to $299,837 due primarily to the increased expense in operation.

The Solid Waste cash balance increased by $5,549 to $90,576 due to increased usage and more excess garbage revenues.

The Garden View (Assisted Living) is the account to handle operations once the construction project was completed. The City had started to receive advances on units and has incurred other start up costs during the prior year. At June 30, 2006 the cash balance increased by $41,941 to $50,070. The increase reflects a transfer of $11,841 and net receipts over disbursements of $30,100.

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, 2006, the City had approximately $3,253,100 in bonds and other long-term debt, compared to approximately $2,551,000 last year, as shown below.

Outstanding Debt at Year-End

	Year ended June 30,			
	2006	2005	2004	2003
				(Unaudited)
General obligation notes				
Fire Station	$ 260,000	$ 310,000	$ 355,000	$ 400,000
Family Aquatic Center	225,000	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	1,698,079	-	-	-
Assisted Living Facility	1,070,000	-	-	-
Assisted Living Facility Loan Agreement Anticipation (project) note	-	1,990,725	-	-
Total	$ 3,253,079	$ 2,550,725	$ 804,244	$ 991,838

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 $485,000 is significantly below its constitutional debt limit of $2,481,451.

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. Property valuations increased slightly and review of the current garbage rates show that an increase will be needed in the near future. This city is in the planning stages of doing a water improvement project on East Iowa Street to loop existing water service. This project will be paid out of the Water Department Sinking Fund. Garden View Assisted Living will be open for a full year and occupancy continues to climb. City will begin construction of a daycare center, of which a majority of the $1,000,000 in construction costs will be paid by grants and donations. $243,000 will be loaned to the city by USDA-RD in the form of a low interest revenue bond that will be paid by user fees.

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.

CITY OF MONONA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants, Contributions, and Restricted Interest	Program Receipts: Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets: Governmental Activities	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets: Business-Type Activities	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets: Total
Governmental activities							
Public safety	$ (176,065)	$ 5,481	$ 35,327	$ -	$ (135,257)	$ -	$ (135,257)
Public works	(254,938)	15,992	135,100	-	(103,846)	-	(103,846)
Health and social services	(3,285)	-	-	-	(3,285)	-	(3,285)
Culture and recreation	(146,030)	41,445	25,840	-	(78,745)	-	(78,745)
Community and economic development	(9,726)	-	58,279	-	48,553	-	48,553
General government	(167,881)	5,364	-	-	(162,517)	-	(162,517)
Debt service	(2,769,788)	-	-	-	(2,769,788)	-	(2,769,788)
Capital projects	(623,352)	19,989	-	100,625	(502,738)	-	(502,738)
Total governmental activities	(4,151,065)	88,271	254,546	100,625	(3,707,623)	-	(3,707,623)
Business type activities							
Water	(119,320)	124,295	-	-	-	4,975	4,975
Sewer	(125,983)	180,924	-	-	-	54,941	54,941
Solid waste	(125,823)	131,008	-	-	-	5,185	5,185
Garden View (Assisted Living Enterprise)	(354,428)	377,877	-	6,549	-	29,998	29,998
Airport	(7,261)	8,356	105	-	-	1,200	1,200
Total business-type activities	(732,815)	822,460	105	6,549	-	96,299	96,299
Total	$ (4,883,880)	$ 910,731	$ 254,651	$ 107,174	(3,707,623)	96,299	(3,611,324)
General Receipts							
Property tax levied for							
General purposes					339,444	-	339,444
Tax increment financing					-	-	-
Debt service					99,127	-	99,127
Local option sales tax					91,599	-	91,599
Grants and contributions not restricted to specific purpose					-	-	-
Unrestricted interest on investments					12,916	4,293	17,209
Bond proceeds					3,390,961	-	3,390,961
Miscellaneous					11,838	-	11,838
Transfers					(11,841)	11,841	-
Total general receipts and transfers					3,934,044	16,134	3,950,178
Change in cash basis net assets					226,421	112,433	338,854
Cash basis net assets beginning of year					496,283	518,357	1,014,640
Cash basis net assets end of year					$ 722,704	$ 630,790	$ 1,353,494
Cash Basis Net Assets							
Restricted							
Streets					$ 100,653	$ -	$ 100,653
Urban renewal purposes					(47,333)	-	(47,333)
Debt service					11,932	9,226	21,158
Other purposes					350,959	-	350,959
Unrestricted					306,493	621,564	928,057
Total cash basis net assets					$ 722,704	$ 630,790	$ 1,353,494

See notes to financial statements.

CITY OF MONONA

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

As of and for the year ended June 30, 2006

	Special Revenue			Capital Projects		Other Nonmajor	
	General	Road Use Tax	2003 CDBG Housing	Debt Service	Assisted Living	Day Care	Governmental Funds	Total
Receipts								
Property tax	$ 264,834	$ -	$ -	$ 97,127	$ -	$ -	$ 67,785	$ 429,746
Tax increment financing	-	-	-	-	-	-	-	-
Other city tax	5,428	-	-	2,000	-	-	92,996	100,424
Licenses and permits	4,175	-	-	-	-	-	-	4,175
Use of money and property	20,076	-	-	49	747	-	4,233	25,105
Intergovernmental	18,840	129,774	57,756	-	-	-	1,463	207,833
Charges for service	38,599	-	-	-	-	-	-	38,599
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	41,914	-	6,082	-	80,969	-	63,519	192,484
Total receipts	393,866	129,774	63,838	99,176	81,716	-	229,996	998,366
Disbursements								
Operating								
Public safety	123,591	-	-	-	-	-	52,474	176,065
Public works	90,154	162,803	-	-	-	-	1,981	254,938
Health and social services	3,285	-	-	-	-	-	-	3,285
Culture and recreation	141,340	-	-	-	-	-	4,690	146,030
Community and economic development	6,514	-	-	-	-	-	3,212	9,726
General government	132,839	-	-	-	-	-	35,042	167,881
Debt service	-	-	-	99,588	2,670,200	-	-	2,769,788
Capital projects	-	-	127,454	-	445,578	22,000	28,320	623,352
Total disbursements	497,723	162,803	127,454	99,588	3,115,778	22,000	125,719	4,151,065
Excess of receipts over (under) disbursements	(103,857)	(33,029)	(63,616)	(412)	(3,034,062)	(22,000)	104,277	(3,152,699)
Other financing sources (uses)								
Bond proceeds	-	-	-	-	3,390,961	-	-	3,390,961
Operating transfers in	131,839	-	-	-	-	-	216,364	348,203
Operating transfers out	(47,597)	-	-	-	(208,205)	-	(104,242)	(360,044)
Total other financing sources (uses)	84,242	-	-	-	3,182,756	-	112,122	3,379,120
Net change in cash balances	(19,615)	(33,029)	(63,616)	(412)	148,694	(22,000)	216,399	226,421
Cash balances beginning of year	326,108	133,682	16,283	12,344	26,414	-	(18,548)	496,283
Cash balances end of year	$ 306,493	$ 100,653	$ (47,333)	$ 11,932	$ 175,108	$ (22,000)	$ 197,851	$ 722,704
Cash Basis Fund Balances								
Reserved								
Debt service	$ -	$ -	$ -	$ 11,932	$ -	$ -	$ -	$ 11,932
Unreserved								
General fund	306,493	-	-	-	-	-	-	306,493
Special revenue funds	-	100,653	(47,333)	-	-	-	89,122	142,442
Capital projects fund	-	-	-	-	175,108	(22,000)	8,729	161,837
Permanent fund	-	-	-	-	-	-	100,000	100,000
Total cash basis fund balances	$ 306,493	$ 100,653	$ (47,333)	$ 11,932	$ 175,108	$ (22,000)	$ 197,851	$ 722,704

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, 2006

Total governmental funds cash balances (page 12)	$ 722,704
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
None	-
Cash basis net assets of governmental activities (page 11)	$ 722,704
Net change in cash balances (page 12)	$ 226,421
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
None	-
Change in cash balance of governmental activities (page 11)	$ 226,421

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, 2006

	Enterprise Funds					
	Major				Non-Major	
	Water	Sewer	Solid Waste	Garden View (Assisted Living)	Airport	Total
Operating receipts:						
Use of money and property	$ 2,600	$ -	$ -	$ 3,284	$ 4,858	$ 10,742
Charges for service	114,667	179,164	125,159	366,393	3,460	788,843
Miscellaneous	7,028	1,760	5,849	8,200	143	22,980
Total operating receipts	124,295	180,924	131,008	377,877	8,461	822,565
Operating disbursements:						
Business-type activities	119,320	125,983	125,823	301,594	7,261	679,981
Total operating disbursements	119,320	125,983	125,823	301,594	7,261	679,981
Excess of operating receipts over (under) operating disbursements	4,975	54,941	5,185	76,283	1,200	142,584
Non-operating receipts (disbursements):						
Interest on investments	-	3,827	364	102	-	4,293
Grant proceeds	-	-	-	6,549	-	6,549
Debt service	-	-	-	(52,834)	-	(52,834)
Total non-operating receipts (disbursements)	-	3,827	364	(46,183)	-	(41,992)
Excess of receipts over (under) disbursements	4,975	58,768	5,549	30,100	1,200	100,592
Transfers						
Operating transfers in	-	-	-	11,841	-	11,841
Operating transfers out	-	-	-	-	-	-
	-	-	-	11,841	-	11,841
Net change in cash balances	4,975	58,768	5,549	41,941	1,200	112,433
Cash balances beginning of year	181,692	241,069	85,027	8,129	2,440	518,357
Cash balances end of year	$ 186,667	$ 299,837	$ 90,576	$ 50,070	$ 3,640	$ 630,790
Cash Basis Fund Balances						
Reserved for debt service	$ -	$ -	$ -	$ 9,226	$ -	$ 9,226
Unreserved	186,667	299,837	90,576	40,844	3,640	621,564
Total cash basis fund balances	$ 186,667	$ 299,837	$ 90,576	$ 50,070	$ 3,640	$ 630,790

See notes to financial statements.

Exhibit E

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, 2006

Total enterprise funds cash balances (page 14)	$ 630,790
Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:	
None	-
Cash basis net assets of business-type activities (page 11)	$ 630,790
Net change in cash balances (page 14)	$ 112,433
Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:	
None	-
Change in cash balance of business-type activities (page 11)	$ 112,433

See notes to financial statements.

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. Starting this year the City operates through a management company, an assisted living facility.

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.

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.

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 Day Care Fund accounts for the financing and construction of a day care facility for 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, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service, and general government functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 80,000	$ 21,163	$ 25,986	$ 130,164	$ 105,986	$ 151,327
2008	80,000	17,992	49,080	131,707	129,080	149,699
2009	85,000	14,658	51,930	128,857	136,930	143,515
2010	85,000	10,928	54,744	126,043	139,744	136,971
2011	85,000	7,070	57,714	123,073	142,714	130,143
2012-2016	70,000	4,690	338,899	565,036	408,899	569,726
2017-2021	-	-	442,718	461,217	442,718	461,217
2022-2026	-	-	579,171	324,764	579,171	324,764
2027-2031	-	-	232,052	217,700	232,052	217,700
2032-2036	-	-	277,653	166,047	277,653	166,047
2037-2041	-	-	341,281	102,419	341,281	102,419
2042-2045	-	-	316,851	26,547	316,851	26,547
	$ 485,000	$ 76,501	$ 2,768,079	$ 2,503,574	$ 3,253,079	$ 2,580,075

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service 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 interim note was converted into two permanent loans during the year that were financed through the Federal government in the form of one direct and one guarantee type.

NOTE 3 - BONDS AND NOTES PAYABLE (continued)

The resolutions providing for the issuance of the assisted living facility revenue notes include the following provisions:

(a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

(b) Sufficient monthly transfers shall be made to a sinking fund account within the Assisted Living Fund for the purpose of making the note principal and interest payments when due.

(c) Monthly transfers of $740 to a reserve fund account within the Assisted Living Fund shall be made until a balance of $88,800 has been accumulated. If the balance later decreases, the monthly transfers will need to resume. This account is restricted for the purpose of making payments of principal and interest on the notes not done by funds in the sinking fund.

(d) Monthly transfers of $850 to a depreciation fund account within the Assisted Living Fund shall be made until a balance of $100,000 has been accumulated. If the balance later decreases, the monthly transfers will need to resume. The account is restricted for the purpose of paying for major repair and improvements and if necessary deficiencies in either the sinking or reserve accounts.

(e) All funds remaining in the revenue fund account after making the various transfers previously noted shall be placed in a surplus fund account. Accumulated funds can be used for any obligation of the Assisted Living operation.

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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were $26,262, $20,125, and $17,586, 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, 2006, primarily relating to the General Fund, is as follows:

Vacation	$ 15,988
Sick leave	78,665
Total	$ 94,653

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

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.

NOTE 6 - INTERFUND TRANSFERS

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

Transfer to		Transfer from	
General		General	
General account	$ 91,599		
Police account	7,000	General account	(7,000)
Fire Equipment Replacement account	12,000	General account	(12,000)
Library account	21,240	General account	(18,597)
	40,240	General account	(10,000)
	$ 131,839		$ (47,597)
Capital Project		Capital Project	
Monroe	$ 10,000		
Gordon Subdivision	204,691	Assisted Living	$ (204,691)
Pool Improvement	1,673	Assisted Living	(3,514)
	$ 216,364		$ (208,205)
Enterprise			
Assisted Living	$ 11,841	Special Revenue	
		Local Option Sales Tax	$ (91,599)
		Library Trust	(2,643)
			$ (94,242)

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City employees and officials totaling $1,566 during the year ended June 30, 2006.

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, 2006:

Special Revenue	
2003 CDBG Housing	$ 47,333
Employee benefits	8,767
Capital Projects	
Davis Street	11,361
Monroe Street	3,150
Day Care	22,000

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 $101,010 of the $306,493 General Fund cash balance for future library operations and equipment replacement.

NOTE 11 - SELF FUNDING

The City has a partially self-funded group medical plan. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be estimated at $29,700. The City paid claims of $5,393 during 2006.

NOTE 12 - SUBSEQUENT EVENT

In July 2006 the City issued a $500,000 general obligation bond for corporate purpose and another $243,000 in a revenue anticipation project note for construction costs of a day care center. A construction contract for $811,600 has been awarded for the day care center and another contract for $319,633 for street improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONONA

BUDGETARY 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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance	Net
Receipts								
Property tax	$ 429,746	$ -	$ -	$ 429,746	$ 430,066	$ 430,066	$ (320)	$ 429,746
Tax increment financing collections	-	-	-	-	-	-	-	-
Other city tax	100,424	-	-	100,424	94,608	98,158	2,266	100,424
Licenses and permits	4,175	-	-	4,175	2,350	3,890	285	4,175
Use of money and property	25,105	15,035	934	39,206	15,095	38,695	511	39,206
Intergovernmental	207,833	-	-	207,833	159,528	214,168	(6,335)	207,833
Charges for service	38,599	788,843	-	827,442	487,540	566,867	260,575	827,442
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	192,484	29,529	30,713	191,300	28,267	274,002	(82,702)	191,300
Total receipts	998,366	833,407	31,647	1,800,126	1,217,454	1,625,846	174,280	1,800,126
Disbursements								
Public safety	176,065	-	22,976	153,089	164,740	164,740	(11,651)	153,089
Public works	254,938	-	-	254,938	191,100	235,190	19,748	254,938
Health and social services	3,285	-	-	3,285	3,942	3,942	(657)	3,285
Culture and recreation	146,030	-	-	146,030	138,822	138,822	7,208	146,030
Community and economic development	9,726	-	-	9,726	4,605	14,105	(4,379)	9,726
General government	167,881	-	-	167,881	159,890	154,890	12,991	167,881
Debt service	2,769,788	-	-	2,769,788	99,588	1,826,769	943,019	2,769,788
Capital projects	623,352	-	-	623,352	506,650	665,000	(41,648)	623,352
Business-type activities	-	732,815	-	732,815	463,075	468,075	264,740	732,815
Total disbursements	4,151,065	732,815	22,976	4,860,904	1,732,412	3,671,533	1,189,371	4,860,904
Excess of receipts over (under) disbursements	(3,152,699)	100,592	8,671	(3,060,778)	(514,958)	(2,045,687)	(1,015,091)	(3,060,778)
Other financing sources, net	3,379,120	11,841	-	3,390,961	-	2,071,383	1,319,578	3,390,961
Excess of receipts and other financing sources over (under) disbursements and other financing uses	226,421	112,433	8,671	330,183	(514,958)	25,696	304,487	330,183
Balances beginning of year	496,283	518,357	48,903	965,737	1,543,846	1,543,846	(578,109)	965,737
Balances end of year	$ 722,704	$ 630,790	$ 57,574	$ 1,295,920	$ 1,028,888	$ 1,569,542	$ (273,622)	$ 1,295,920

See accompanying independent auditor's report.

CITY OF MONONA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2006

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds, and Fiduciary Funds. The City had no Internal Service or Fiduciary Funds for the year ended June 30, 2006. 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 $1,939,121. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation, debt service, general government and business-type functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MONONA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2006

	Special Revenue									Capital Projects	Permanent	
	Employee Benefits	Local Option Sales Tax	CDBG Housing	1998 CDBG Housing	EDSA Grant	Monona Fire Department	Community Center	Library Trust	Health	Other	Reusser Improvement	Total
Receipts												
Property tax	$ 67,785	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 67,785
Other city tax	1,397	91,599	-	-	-	-	-	-	-	-	-	92,996
Use of money and property	-	-	-	-	-	934	30	25	-	59	3,185	4,233
Intergovernmental	-	-	-	-	523	-	-	-	-	940	-	1,463
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	10,499	-	30,713	10	920	-	21,377	-	63,519
Total receipts	69,182	91,599	-	10,499	523	31,647	40	945	-	22,376	3,185	229,996
Disbursements												
Operating												
Public safety	29,498	-	-	-	-	22,976	-	-	-	-	-	52,474
Public works	1,981	-	-	-	-	-	-	-	-	-	-	1,981
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	3,237	-	-	-	-	-	-	1,453	-	-	-	4,690
Community and economic development	-	-	-	-	27	-	-	-	-	-	3,185	3,212
General government	28,907	-	-	-	-	-	-	-	6,135	-	-	35,042
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	28,320	-	28,320
Total disbursements	63,623	-	-	-	27	22,976	-	1,453	6,135	28,320	3,185	125,719
Excess of receipts over (under) disbursements	5,559	91,599	-	10,499	496	8,671	40	(508)	(6,135)	(5,944)	-	104,277
Other financing sources (uses)												
Operating transfers in	-	-	-	-	-	-	-	-	-	216,364	-	216,364
Operating transfers out	-	(91,599)	-	(10,000)	-	-	-	(2,643)	-	-	-	(104,242)
Total other financing sources (uses)	-	(91,599)	-	(10,000)	-	-	-	(2,643)	-	216,364	-	112,122
Net change in cash balances	5,559	-	-	499	496	8,671	40	(3,151)	(6,135)	210,420	-	216,399
Cash balances beginning 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 balances end of year	$ (8,767)	$ -	$ 1,720	$ 25,608	$ 1,520	$ 57,574	$ 2,632	$ 602	$ 8,233	$ 8,729	$ 100,000	$ 197,851
Cash Basis Fund Balances												
Unreserved												
Special revenue funds	$ (8,767)	$ -	$ 1,720	$ 25,608	$ 1,520	$ 57,574	$ 2,632	$ 602	$ 8,233	$ -	$ -	$ 89,122
Capital projects fund	-	-	-	-	-	-	-	-	-	8,729	-	8,729
Permanent fund	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Total cash basis fund balances	$ (8,767)	$ -	$ 1,720	$ 25,608	$ 1,520	$ 57,574	$ 2,632	$ 602	$ 8,233	$ 8,729	$ 100,000	$ 197,851

See accompanying independent auditor's report.

CITY OF MONONA

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2006

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	Nov. 1, 2001	3.50 - 4.90%	$ 400,000	$ 310,000	$ -	$ 50,000	$ 260,000	$ 14,043
Family Aquatic Center	Dec. 1, 2002	2.30 - 4.50%	300,000	250,000	-	25,000	225,000	9,970
				$ 560,000	$ -	$ 75,000	$ 485,000	$ 24,013
Revenue Notes								
Assisted Living Facility Loan Agreement Anticipation (Project) Note	July 6, 2004	3.90%	$ 2,770,000	$ 1,990,725	$ 620,961	$ 2,611,686	$ -	$ 58,514
Assisted Living Facility Revenue Note,Series 2005A	Sept. 29,2005	4.125%	1,700,000	-	1,700,000	1,921	1,698,079	50,913
Assisted Living Facility Revenue Note,Series 2005B	June 30,2006	6% (1)	1,070,000	-	1,070,000	-	1,070,000	-
				$ 1,990,725	$ 3,390,961	$ 2,613,607	$ 2,768,079	$ 109,427

(1) Current rate until July 1, 2011 at which time will be adjusted to 1% under prime each July untill paid off.

See accompanying independent auditor's report.

CITY OF MONONA

BOND AND NOTE MATURITIES

June 30, 2006

GENERAL OBLIGATION BONDS AND NOTES

Year Ending June 30,	Fire Station Issued Nov 1, 2001 Interest Rates	Fire Station Issued Nov 1, 2001 Amount	Family Aquatic Center Issued Dec 1, 2002 Interest Rates	Family Aquatic Center Issued Dec 1, 2002 Amount	Total
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
		$ 260,000		$ 225,000	$ 485,000

REVENUE BONDS AND NOTES

Year Ending June 30,	Assisted Living Facility Series 2005A Issued Sept 29,2005 Interest Rates	Assisted Living Facility Series 2005A Issued Sept 29,2005 Amount	Assisted Living Facility Series 2005B Issued June 30, 2006 Interest Rates	Assisted Living Facility Series 2005B Issued June 30, 2006 Amount	Total
2007	4.125%	$ -	6.00%	$ 25,986	$ 25,986
2008	4.125	18,851	6.00	30,229	49,080
2009	4.125	19,837	6.00	32,093	51,930
2010	4.125	20,671	6.00	34,073	54,744
2011	4.125	21,540	6.00	36,174	57,714
2012	4.125	22,262	6.00	38,405	60,667
2013	4.125	23,381	6.00	40,774	64,155
2014	4.125	24,364	6.00	43,289	67,653
2015	4.125	25,389	6.00	45,959	71,348
2016	4.125	26,283	6.00	48,793	75,076
2017	4.125	27,561	6.00	51,803	79,364
2018	4.125	28,719	6.00	54,998	83,717
2019	4.125	29,927	6.00	58,390	88,317
2020	4.125	31,025	6.00	61,991	93,016
2021	4.125	32,489	6.00	65,815	98,304
2022	4.125	33,855	6.00	69,874	103,729
2023	4.125	35,278	6.00	74,184	109,462
2024	4.125	36,617	6.00	78,759	115,376
2025	4.125	38,301	6.00	83,617	121,918
2026	4.125	39,911	6.00	88,775	128,686
2027	4.125	41,588	6.00	6,019	47,607
2028	4.125	43,211		-	43,211
2029	4.125	45,153		-	45,153
2030	4.125	47,052		-	47,052
2031	4.125	49,029		-	49,029
2032	4.125	50,987		-	50,987
2033	4.125	53,234		-	53,234
2034	4.125	55,472		-	55,472
2035	4.125	57,804		-	57,804
2036	4.125	60,156		-	60,156
2037	4.125	62,763		-	62,763
2038	4.125	65,401		-	65,401
2039	4.125	68,151		-	68,151
2040	4.125	70,967		-	70,967
2041	4.125	73,999		-	73,999
2042	4.125	77,110		-	77,110
2043	4.125	80,351		-	80,351
2044	4.125	83,717		-	83,717
2045	4.125	75,673		-	75,673
		$ 1,698,079		$ 1,070,000	$ 2,768,079

See accompanying independent auditor's report.

CITY OF MONONA

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

Years ended June 30,

	2006	2005	2004
Receipts			
Property tax	$ 429,746	$ 412,559	$ 390,503
Tax increment financing collections	-	-	-
Other city tax	100,424	94,116	100,078
Licenses and permits	4,175	3,323	3,063
Use of money and property	25,105	19,311	22,255
Intergovernmental	207,833	523,404	350,684
Charges for service	38,599	43,682	42,116
Special assessments	-	-	-
Miscellaneous	192,484	418,996	1,135,935
Total	$ 998,366	$ 1,515,391	$ 2,044,634
Disbursements			
Operating			
Public safety	$ 176,065	$ 194,250	$ 194,939
Public works	254,938	141,102	353,285
Health and social services	3,285	6,978	3,285
Culture and recreation	146,030	136,827	141,883
Community and economic development	9,726	145,311	64,376
General government	167,881	152,369	150,343
Debt service	2,769,788	279,785	230,150
Capital projects	623,352	2,906,942	691,367
Total	$ 4,151,065	$ 3,963,564	$ 1,829,628

See accompanying independent auditor's report.

CITY OF MONONA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2006

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	$ 652,110
Indirect			
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants			
State's Program	14.228	06-CF-019	10,899
	14.228	03-ED-012	27
			10,926
U.S. Department of Justice			
Iowa Department of Justice			
Crime Victim Assistance Division			
Violence Against Women Formula Grants	16.588	VW-06-84D	624
U.S. Department of Transportation			
Iowa Department of Public Safety			
Governor's Traffic Safety Bureau			
Incentive Grants for Use of Seat Belts	20.604	06-157 Task 112	1,856
Total			$ 665,516

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Monona 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.

See accompanying independent auditor's report.

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 22, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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 item II-A-06 is a material weakness.

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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, 2006 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 + Kallevang, P.C.

December 22, 2006

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

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 program for the year ended June 30, 2006. The City of Monona's major federal program is 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 program 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 program for the year ended June 30, 2006. 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.

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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-06 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-06 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.

December 22, 2006

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2006

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.

d. A reportable condition in internal control over the major programs was disclosed by the audit of the financial statements, including a material weakness.

e. An unqualified opinion was issued on compliance with requirements applicable to the major program.

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 program was CFDA Number 10.766 – Community Facilities Loans and Grants.

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, 2006

Part II: Findings Related to the Financial Statements

Reportable conditions

II-A-06

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-06

Cash in Bank

A. Non interest bearing - A new bank account was opened during the year to handle the receipts and disbursements related to the Garden View (Assisted Living) operations that was not interest bearing.

Recommendation - We recommend the City contact the local bank and switch the account to interest bearing.

Response - Freedom Bank restructured during its change from Union State Bank. City will review the account with the bank which should qualify as interest bearing.

Conclusion - Response accepted.

B. Outstanding Checks – There are a few checks that have been written and have been considered outstanding for more than one year.

Recommendation - We recommend the City review the list to determine the disposition of them so they are no longer outstanding in arriving at the balance in the checking account.

Response - City will work with the state of Iowa regarding the unclaimed property.

Conclusion - Response accepted.

Instances of Non-Compliance

No material matters were noted

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2006

Part III – Findings and Questioned Costs for Federal Awards

Instance of non-compliance
No matters were noted

Reportable Condition

All Federal Programs
III-A-06
Segregation of Duties
See item II-A-06

Part IV: Other Findings Related to Statutory Reporting

IV-A-06
Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, culture and recreation, debt service, general government, 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 - Budget was amended in May of 2006, but unexpected expenses caused several funds to go over. City will try to anticipate those expenses more closely at budget amendment time.

Conclusion - Response accepted.

IV-B-06
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-C-06
Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2006

IV-D-06

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

Name, Title, and Business Connection	Transaction Description	Amount
Paul Foxwell, Council Member Wife is owner of Little Brick Framing	Supplies	$ 98
Mark Willems, Council Member Owner of Alla-Clay Farmacy, Inc.	Supplies	182
William Benda, Employee Owner of Benda Concrete	Concrete	1,286

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.

IV-E-06

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-F-06

Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-06

Deposits and Investments - 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.

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

IV-H-06

Revenue Bonds and Notes – The City's revenue notes require monthly transfers to accounts for future debt payments, reserves, and future improvements and major repairs. The monthly transfers were not made, however by June 30, 2006 the required amounts were in place.

Recommendation – We recommend a lump sum transfer be made immediately for the amounts required to date and then follow with the monthly transfers as required.

Response - City will make monthly transfers as suggested by Auditor.

Conclusion - Response accepted.

IV-I-06

Financial Conditions - Several accounts had deficit balances at June 30, 2006.

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

Response – Five accounts had a negative fund balance at the end of fiscal year 06. Currently three of those accounts have received funds to put them into the positive. One account will have a zero balance by the fiscal year 07 year end and the third should have a positive fund balance by the end of fiscal year 08.

Conclusion – Response accepted.