CITY OF MONONA

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2007

HAGEN & KALLEVANG, P.C.
Certified Public Accountants

CITY OF MONONA

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CITY OF MONONA

OFFICIALS

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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of 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 are 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, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2008 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 three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions for 2006 and 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.

February 6, 2008

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

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 40.9%, or approximately $1,796,000, from fiscal 2006 to fiscal 2007. The largest change was in loan proceeds where receipts decreased from $3,391,000 (Assisted Living) to $743,000 (Childcare Center).

- Disbursements decreased 43.7%, or approximately $1,819,000 in fiscal 2007 from fiscal 2006. Debt Service saw the largest change from $2,770,000 to $121,000 which mainly includes the long term financing for the Assisted Living in fiscal 2006. Public Works also decreased by $95,000 after the purchase of equipment and Sidewalk Project from Fiscal 2006. Public Safety increased $58,000 mainly due to Capital Equipment purchase. Capital Projects increased $869,000 as a result of the Childcare Center and Davis St. Extension Projects completed in Fiscal 2007.

- The City's total cash basis net assets increased $304,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately $250,000 and the assets of the business-type activities increased by approximately $54,000.

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 six Enterprise Funds to provide separate information for the water, sewer, solid waste, and Garden View that are considered to be major funds and airport fund are the Day Care, 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

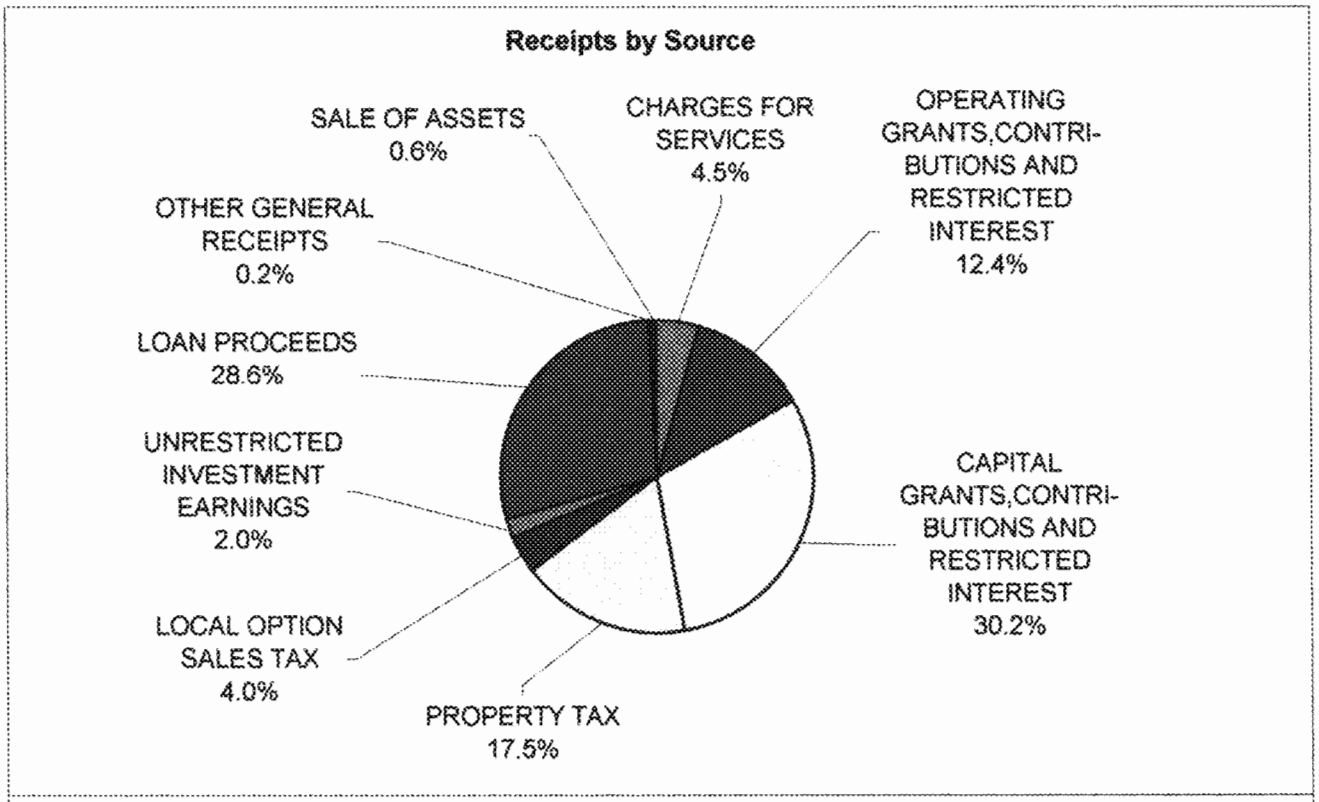
Governmental Activities

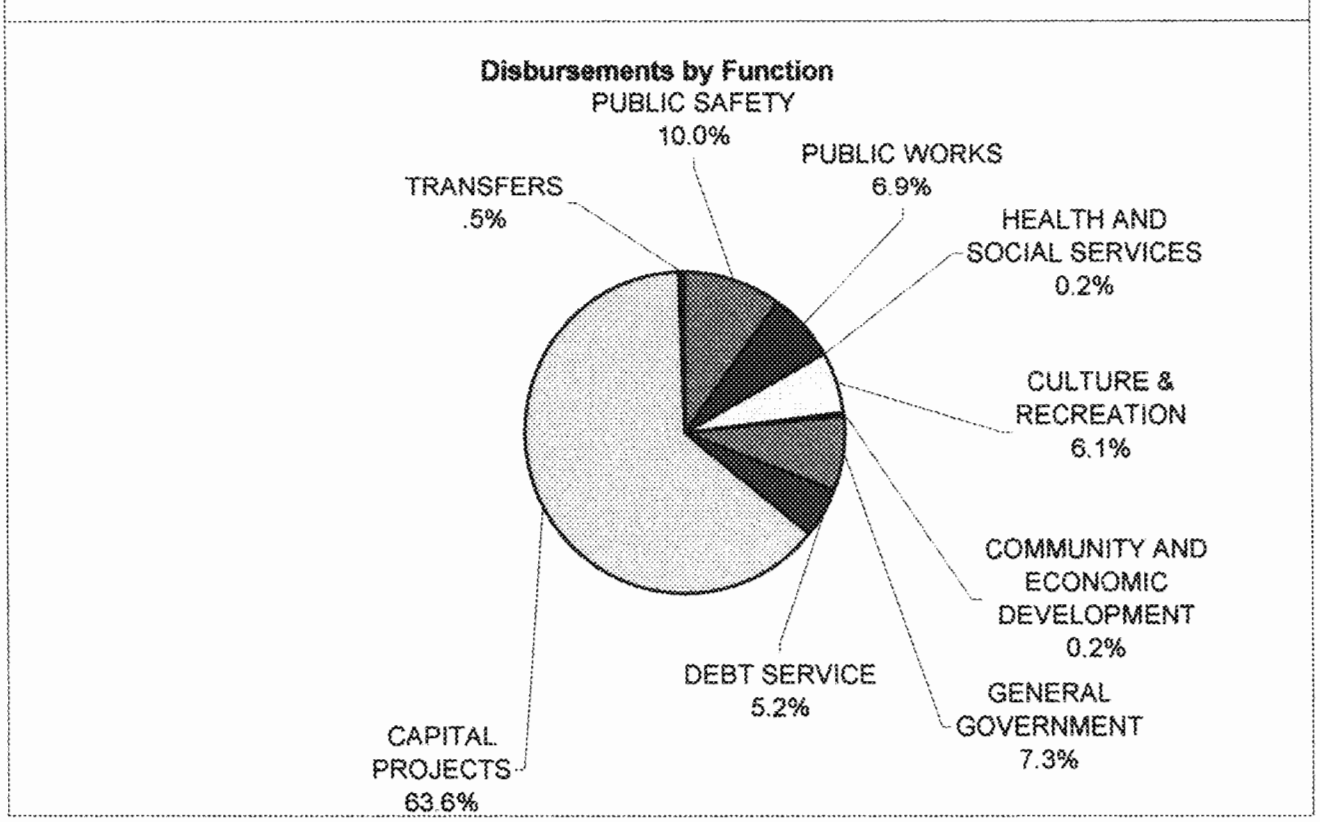
Net assets over time may serve as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

The receipts and disbursements were as follows:

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

	Year ended June 30,			
	2007	2006	2005	2004
Receipts and transfers:				
Program receipts:				
Charges for service	$ 118	$ 88	$ 93	$ 128
Operating grants, contributions and restricted interest	322	255	558	229
Capital grants, contributions and restricted interest	784	101	348	1,181
General receipts:				
Property tax	454	439	421	400
Local option sales tax	103	92	85	91
Grants and contributions not restricted to specific purposes	-	-	-	-
Unrestricted investment earnings	51	13	8	8
Loan proceeds	743	3,391	1,991	-
Other general receipts	19	11	5	7
Transfers, net	-	-	-	4
Total receipts and transfers	2,594	4,390	3,509	2,048
Disbursements and transfers:				
Public safety	235	176	192	195
Public works	160	255	141	353
Health and social services	3	3	7	3
Culture and recreation	144	146	140	142
Community and economic development	5	10	367	65
General government	172	168	171	150
Debt service	121	2,770	259	230
Capital projects	1,492	623	2,687	691
Transfers, net	12	12	35	-
Total disbursements and transfers	2,344	4,163	3,999	1,829
Increase (decrease) in cash basis net assets	250	227	(490)	219
Cash basis net assets beginning of year	723	496	986	767
Cash basis net assets end of year	$ 973	$ 723	$ 496	$ 986


Receipts by Source
SALE OF ASSETS 0.6%
CHARGES FOR SERVICES 4.5%
OPERATING GRANTS,CONTRI-BUTIONS AND RESTRICTED INTEREST 12.4%
OTHER GENERAL RECEIPTS 0.2%
LOAN PROCEEDS 28.6%
UNRESTRICTED INVESTMENT EARNINGS 2.0%
CAPITAL GRANTS,CONTRI-BUTIONS AND RESTRICTED INTEREST 30.2%
LOCAL OPTION SALES TAX 4.0%
PROPERTY TAX 17.5%


Disbursements by Function
PUBLIC SAFETY 10.0%
PUBLIC WORKS 6.9%
TRANSFERS .5%
HEALTH AND SOCIAL SERVICES 0.2%
CULTURE & RECREATION 6.1%
COMMUNITY AND ECONOMIC DEVELOPMENT 0.2%
DEBT SERVICE 5.2%
GENERAL GOVERNMENT 7.3%
CAPITAL PROJECTS 63.6%

Revenues of the City's governmental activities decreased by approximately 40.9% from fiscal year 2006 to 2007 or from $4,390,000 to $2,594,000 respectively. Loan proceeds created the majority of the decrease where the city received $2,770,000 in long term financing from USDA-RD. Increases in financing sources included Charges for service, Operating and Capital grants, Property Tax, L.O.S.T., Investment Earnings and Other general receipts. Capital Grants increased approximately $683,000 due mainly to the funds received for the Childcare Center.

Disbursements of the City's governmental activities decreased by approximately 43.7% from fiscal year 2006 to 2007 or from $4,163,000 to $2,344,000. The largest decrease was in the function debt service where the City paid off interim financing for Garden View at $2,611,686 in fiscal 2006. There was also a decrease in Public Works after the Capital Equipment and Sidewalk Project from fiscal 2006. Capital Projects saw an increase of approximately $869,000 due to the construction of the Little Bulldog Childcare Center and the Davis St. Extension 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,			
	2007	2006	2005	2004
Receipts and transfers:				
Program receipts:				
Charges for services	$ 1,088	$ 823	$ 448	$ 443
General receipts:				
Grants	1	6	-	-
Unrestricted investment earnings	4	4	8	6
Transfers, net	12	12	35	-
Total receipts and transfers	1,105	845	491	449
Disbursements and transfers:				
Operations	1,052	732	485	376
Transfers, net	-	-	-	4
Total disbursements and transfers	1,052	732	485	380
Increase in cash balance	53	113	6	69
Cash basis net assets beginning of year	631	518	512	443
Cash basis net assets end of year	$ 684	$ 631	$ 518	$ 512

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 $973,234 an increase of more than $250,000 above last year's total of $722,704. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased $57,653 from the prior year to $364,146. Increase was due to the higher than expected interest earnings and sale of assets.
- The Road Use Tax Fund cash balance increased by $39,236 to $139,889 during the fiscal year. This increase was expected in order to save for larger future street projects.

- The Debt Service Fund cash balance decreased by $1,458 to $10,474.
- The Capital Project Fund – Davis St. ended at zero as the remaining funds were transferred to the T.I.F. Special Revenue Account
- The Capital Project Fund – Assisted Living account cash balance decreased $74,981. This decrease was due to added final project costs for the construction of the building.
- The Capital Project Fund – Day Care account increased $103,496 from ($22,000) as various types of funding has been received.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by $36,535 to $150,132 due mainly to the E. Iowa St. Water Loop Project which was paid by reserve funds.

The Sewer Fund cash balance increased by $27,492 to $327,329 where a surplus was planned for as a transfer out for sinking. The amount is less than expected due to the increased expense in operation.

The Solid Waste cash balance increased by $1,338 to $97,914 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 Cash balance increased from $50,070 to $106,749 as the center units have filled and the management company has increased funding payments.

BUDGETARY HIGHLIGHTS

The City amended its budget. The amendment was approved on May 21, 2007 and resulted in an increase in operating disbursements related to increased Capital Project costs including the Daycare, Housing CDBG and Techspace Inc., purchase of equipment and Debt Service for Garden View Assisted Living. Additional revenues to offset the above costs came from sale of equipment, donations, grant for economic development, CDBG housing grant and Long term financing for the assisted living.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately $3,887,000 in bonds and other long-term debt, compared to approximately $3,253,100 last year, as shown below.

	Year ended June 30,			
	2007	2006	2005	2004
General obligation notes				
Fire Station	$ 210,000	$ 260,000	$ 310,000	$ 355,000
Family Aquatic Center	195,000	225,000	250,000	275,000
City Hall	-	-	-	18,085
Corporate Purpose	500,000	-	-	-
Special Obligation Loan Agreement Anticipation (project) note	-	-	-	156,159
Revenue notes				
Assisted Living Facility	1,698,079	1,698,079	-	-
Assisted Living Facility	1,040,859	1,070,000	-	-
Child Care Facility Enterprise	243,000	-	-	-
Assisted Living Facility Loan Agreement Anticipation (project) note	-	-	1,990,725	-
Total	$ 3,886,938	$ 3,253,079	$ 2,550,725	$ 804,244

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $905,000 is well below its constitutional debt limit of $2,639,912.

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 decreased and an increase in our garbage rates are expected for FY08. The City plans to add an additional police officer in FY08 and the citizens of Monona voted to approve an additional Library levy of 27 cents per thousand of taxable property. The City hopes to sell additional lots in the Davis Street Commercial Park and is finalizing a community Visioning Project to improve the entrances to town as well as the downtown intersection and city hall parking lot. Little Bulldog Childcare opened it's doors in July of 2007 and we hope to see added patronage as fy08 continues. Garden View Assisted Living is near capacity and we look for the remaining rooms to be filled in fy08.

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, 2007

		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
Functions/Programs							
Governmental activities							
Public safety	$ (234,610)	$ 2,687	$ 38,973	$ -	$ (192,950)	$ -	$ (192,950)
Public works	(160,421)	36,618	129,185	-	5,382	-	5,382
Health and social services	(3,780)	-	-	-	(3,780)	-	(3,780)
Culture and recreation	(143,977)	38,553	45,230	-	(60,194)	-	(60,194)
Community and economic development	(5,150)	19,370	108,527	-	122,747	-	122,747
General government	(171,837)	20,408	-	-	(151,429)	-	(151,429)
Debt service	(121,195)	-	-	-	(121,195)	-	(121,195)
Capital projects	(1,491,564)	-	-	783,563	(708,001)	-	(708,001)
Total governmental activities	(2,332,534)	117,636	321,915	783,563	(1,109,420)	-	(1,109,420)
Business type activities							
Water	(157,091)	121,556	-	-	-	(35,535)	(35,535)
Sewer	(148,880)	173,121	-	-	-	24,241	24,241
Solid waste	(131,635)	133,973	-	-	-	2,338	2,338
Garden View (Assisted Living Enterprise)	(592,662)	649,303	-	-	-	56,641	56,641
Day care	(11,646)	442	513	-	-	(10,691)	(10,691)
Airport	(10,306)	9,843	230	-	-	(233)	(233)
Total business-type activities	(1,052,220)	1,088,238	743	-	-	36,761	36,761
Total	$ (3,384,754)	$ 1,205,874	$ 322,658	$ 783,563	(1,109,420)	36,761	(1,072,659)
General Receipts							
Property tax levied for							
General purposes					354,184	-	354,184
Tax increment financing					-	-	-
Debt service					100,253	-	100,253
Local option sales tax					103,192	-	103,192
Grants and contributions not restricted to specific purpose					-	-	-
Unrestricted interest on investments					51,596	4,434	56,030
Bond proceeds					743,000	379	743,379
Miscellaneous					4,425	-	4,425
Sale of assets					15,300	-	15,300
Transfers					(12,000)	12,000	-
Total general receipts and transfers					1,359,950	16,813	1,376,763
Change in cash basis net assets					250,530	53,574	304,104
Cash basis net assets beginning of year					722,704	630,790	1,353,494
Cash basis net assets end of year					$ 973,234	$ 684,364	$ 1,657,598
Cash Basis Net Assets							
Restricted							
Streets					$ 139,889	$ -	$ 139,889
Urban renewal purposes					14,494	-	14,494
Debt service					10,474	18,774	29,248
Other purposes					444,231	-	444,231
Unrestricted					364,146	665,590	1,029,736
Total cash basis net assets					$ 973,234	$ 684,364	$ 1,657,598

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, 2007

	Major Governmental Funds							
		Special Revenue		Capital Projects			Nonmajor	
	General	Road Use Tax	Debt Service	Davis Street	Assisted Living	Day Care	Governmental Funds	Total
Receipts								
Property tax	$ 276,355	$ -	$ 98,054	$ -	$ -	$ -	$ 70,084	$ 444,493
Tax increment financing	-	-	-	-	-	-	-	-
Other city tax	6,173	-	2,199	-	-	-	104,764	113,136
Licenses and permits	4,333	-	-	-	-	-	-	4,333
Use of money and property	57,108	-	52	241	729	-	5,871	64,001
Intergovernmental	19,150	129,185	-	-	54,370	426,442	108,527	737,674
Charges for service	32,775	-	-	-	-	-	-	32,775
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	49,960	-	-	-	35,166	267,585	87,641	440,352
Total receipts	445,854	129,185	100,305	241	90,265	694,027	376,887	1,836,764
Disbursements								
Operating								
Public safety	165,481	-	-	-	-	-	69,129	234,610
Public works	67,033	89,949	-	-	-	-	3,439	160,421
Health and social services	3,780	-	-	-	-	-	-	3,780
Culture and recreation	139,548	-	-	-	-	-	4,429	143,977
Community and economic development	2,171	-	-	-	-	-	2,979	5,150
General government	131,104	-	-	-	-	-	40,733	171,837
Debt service	-	-	121,195	-	-	-	-	121,195
Capital projects	-	-	-	401,798	165,246	833,531	90,989	1,491,564
Total disbursements	509,117	89,949	121,195	401,798	165,246	833,531	211,698	2,332,534
Excess of receipts over (under) disbursements	(63,263)	39,236	(20,890)	(401,557)	(74,981)	(139,504)	165,189	(495,770)
Other financing sources (uses)								
Sale of assets	15,300	-	-	-	-	-	-	15,300
Bond proceeds	-	-	-	500,000	-	243,000	-	743,000
Operating transfers in	159,820	-	19,432	-	-	-	96,531	275,783
Operating transfers out	(54,204)	-	-	(87,082)	-	-	(146,497)	(287,783)
Total other financing sources (uses)	120,916	-	19,432	412,918	-	243,000	(49,966)	746,300
Net change in cash balances	57,653	39,236	(1,458)	11,361	(74,981)	103,496	115,223	250,530
Cash balances beginning of year	306,493	100,653	11,932	(11,361)	175,108	(22,000)	161,879	722,704
Cash balances end of year	$ 364,146	$ 139,889	$ 10,474	$ -	$ 100,127	$ 81,496	$ 277,102	$ 973,234
Cash Basis Fund Balances								
Reserved								
Debt service	$ -	$ -	$ 10,474	$ -	$ -	$ -	$ -	$ 10,474
Unreserved								
General fund	364,146	-	-	-	-	-	-	364,146
Special revenue funds	-	139,889	-	-	-	-	155,411	295,300
Capital projects fund	-	-	-	-	100,127	81,496	21,691	203,314
Permanent fund	-	-	-	-	-	-	100,000	100,000
Total cash basis fund balances	$ 364,146	$ 139,889	$ 10,474	$ -	$ 100,127	$ 81,496	$ 277,102	$ 973,234

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, 2007

Total governmental funds cash balances (page 12)	$ 973,234
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)	$ 973,234
Net change in cash balances (page 12)	$ 250,530
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)	$ 250,530

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, 2007

	Enterprise Funds						
	Major				Non-Major		
	Water	Sewer	Solid Waste	Garden View (Assisted Living)	Day Care	Airport	Total
Operating receipts:							
Use of money and property	$ 2,400	$ -	$ 383	$ 4,853	$ -	$ 4,544	$ 12,180
Charges for service	113,225	171,309	125,288	636,904	240	5,276	1,052,242
Miscellaneous	5,931	1,812	8,302	7,546	715	253	24,559
Total operating receipts	121,556	173,121	133,973	649,303	955	10,073	1,088,981
Operating disbursements:							
Business-type activities	157,091	148,880	131,635	430,490	11,259	10,306	889,661
Total operating disbursements	157,091	148,880	131,635	430,490	11,259	10,306	889,661
Excess of operating receipts over (under) operating disbursements	(35,535)	24,241	2,338	218,813	(10,304)	(233)	199,320
Non-operating receipts (disbursements):							
Interest on investments	-	4,251	-	36	145	-	4,434
Loan proceeds	-	-	-	-	379	-	379
Debt service	-	-	-	(162,172)	(387)	-	(162,559)
Total non-operating receipts (disbursements)	-	4,251	-	(162,134)	137	-	(157,746)
Excess of receipts over (under) disbursements	(35,535)	28,492	2,338	56,679	(10,167)	(233)	41,574
Transfers							
Operating transfers in	-	-	-	180,964	15,000	-	195,964
Operating transfers out	(1,000)	(1,000)	(1,000)	(180,964)	-	-	(183,964)
	(1,000)	(1,000)	(1,000)	-	15,000	-	12,000
Net change in cash balances	(36,535)	27,492	1,338	56,679	4,833	(233)	53,574
Cash balances beginning of year	186,667	299,837	90,576	50,070	-	3,640	630,790
Cash balances end of year	$ 150,132	$ 327,329	$ 91,914	$ 106,749	$ 4,833	$ 3,407	$ 684,364
Cash Basis Fund Balances							
Reserved for debt service	$ -	$ -	$ -	$ 18,774	$ -	$ -	$ 18,774
Unreserved	150,132	327,329	91,914	87,975	4,833	3,407	665,590
Total cash basis fund balances	$ 150,132	$ 327,329	$ 91,914	$ 106,749	$ 4,833	$ 3,407	$ 684,364

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, 2007

Total enterprise funds cash balances (page 14)	$ 684,364
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)	$ 684,364
Net change in cash balances (page 14)	$ 53,574
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)	$ 53,574

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. The City operates an assisted living facility through a management company, which started in the year previous.

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 are 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 Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. 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 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 Davis Street Fund accounts for the financing and construction of a major street project.

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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting
The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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
2008	$ 80,000	$ 39,675	$ 49,242	$ 134,020	$ 129,242	$ 173,695
2009	125,000	36,341	54,595	148,045	179,595	184,386
2010	130,000	30,991	57,755	135,728	187,755	166,719
2011	130,000	25,287	60,856	132,627	190,856	157,914
2012	80,000	19,465	63,945	129,538	143,945	149,003
2013-2017	300,000	63,323	376,240	591,175	676,240	654,498
2018-2022	60,000	2,790	490,140	477,275	550,140	480,065
2023-2027	-	-	542,330	330,318	542,330	330,318
2028-2032	-	-	267,708	239,472	267,708	239,472
2033-2037	-	-	329,084	178,096	329,084	178,096
2038-2042	-	-	404,351	102,829	404,351	102,829
2043-2046	-	-	285,692	18,817	285,692	18,817
	$ 905,000	$ 217,872	$ 2,981,938	$ 2,617,940	$ 3,886,938	$ 2,835,812

NOTE 3 - BONDS AND NOTES PAYABLE (continued)

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service Fund.

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, 2007, 2006, and 2005 were $20,750, $19,353, and $20,125, 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, 2007, primarily relating to the General Fund, is as follows:

Vacation	$ 19,101
Sick leave	86,455
Total	$105,556

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

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 - TRANSFERS

The detail of transfers for the year ended June 30, 2007 is as follows:

Fund	Account	In
General		
	General	$ 103,192
	General	6,574
	Library	21,054
	Equip. Replacement	29,000
		159,820
Debt Service		19,432
Capital projects		
	Monroe	3,150
Special revenue		
	Health	5,000
	TIF	87,082
	Reusser	1,299
Enterprise		
	Day Care	1,720
	Day Care	13,280
		15,000
	Garden View Sinking	162,840
	Garden View Reserve	8,880
	Garden View Depreciation	9,244
		180,964
	Total	$ 471,747

Fund	Account	Out
General		
	General	$ 3,150
	General	1,000
	General	21,054
	General	29,000
		54,204
Special revenue		
	TIF	19,432
	Employee benefits	1,000
	Local Option Sales Tax	103,192
	EDSA Grant	6,574
	CDBG Housing	1,720
	1998 CDBG Housing	13,280
Capital projects		
	Davis Street	87,082
Permanent		
	Reusser	1,299
Enterprise		
	Water	1,000
	Sewer	1,000
	Solid Waste	1,000
	Garden View Revenue	180,964
	Total	$ 471,747

NOTE 6 – TRANSFERS (continued)

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

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City employees and officials totaling $3,429 during the year ended June 30, 2007.

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, 2007:

Special Revenue		
Employee benefits	$	2,036
Health		3,538

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 $88,826 of the $364,146 General Fund cash balance for future equipment replacement and library operations.

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 $33,750. The City paid claims of $15,987 during 2007.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
Receipts							
Property tax	$ 444,493	$ -	$ -	$ 444,493	$ 449,305	$ 449,305	$ (4,812)
Tax increment financing collections	-	-	-	-	-	-	-
Other city tax	113,136	-	-	113,136	95,087	100,000	13,136
Licenses and permits	4,333	-	-	4,333	2,400	3,500	833
Use of money and property	64,001	16,614	1,309	79,306	28,576	29,126	50,180
Intergovernmental	737,674	-	-	737,674	947,188	1,090,540	(352,866)
Charges for service	32,775	1,052,242	-	1,085,017	563,285	639,219	445,798
Special assessments	-	-	-	-	-	-	-
Miscellaneous	440,352	24,938	36,061	429,229	268,155	929,720	(500,491)
Total receipts	1,836,764	1,093,794	37,370	2,893,188	2,353,996	3,241,410	(348,222)
Disbursements							
Public safety	234,610	-	35,799	198,811	194,890	211,915	(13,104)
Public works	160,421	-	-	160,421	178,438	178,438	(18,017)
Health and social services	3,780	-	-	3,780	3,942	3,942	(162)
Culture and recreation	143,977	-	-	143,977	145,723	152,110	(8,133)
Community and economic development	5,150	-	-	5,150	7,905	26,638	(21,488)
General government	171,837	-	-	171,837	160,009	161,009	10,828
Debt service	121,195	-	-	121,195	101,763	263,808	(142,613)
Capital projects	1,491,564	-	-	1,491,564	1,004,000	1,573,507	(81,943)
Business type activities	-	1,052,220	-	1,052,220	606,228	606,228	445,992
Total disbursements	2,332,534	1,052,220	35,799	3,348,955	2,402,898	3,177,595	171,360
Excess of receipts over (under) disbursements	(495,770)	41,574	1,571	(455,767)	(48,902)	63,815	(519,582)
Other financing sources, net	746,300	12,000	-	758,300	3,000	29,609	728,691
Excess of receipts and other financing sources over (under) disbursements and other financing uses	250,530	53,574	1,571	302,533	(45,902)	93,424	209,109
Balances beginning of year	722,704	630,790	57,574	1,107,715	1,695,243	1,695,243	(464,547)
Balances end of year	$ 973,234	$ 684,364	$ 59,145	$ 1,410,248	$ 1,649,341	$ 1,788,667	$ (255,438)

See accompanying independent auditor's report.

CITY OF MONONA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds, and Fiduciary Funds. The City had no Internal Service. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended once to increase disbursements by $774,697. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the 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, 2007

	Special Revenue													Capital Projects	Permanent	
	Employee Benefits	Local Option Sales Tax	CDBG Housing	1998 CDBG Housing	2003 CDBG Housing	EDSA Grant	Monona Fire Department	Community Center	Library Trust	Health	Butterfly Trail	Tax Increment Financing	Reusser Improvement	Other	Reusser Improvement	Total
Receipts																
Property tax	$ 70,084	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 70,084
Other city tax	1,572	103,192	-	-	-	-	-	-	-	-	-	-	-	-	-	104,764
Use of money and property	-	-	-	-	-	-	1,309	11	-	-	128	-	-	147	4,276	5,871
Intergovernmental	-	-	-	-	103,431	5,096	-	-	-	-	-	-	-	-	-	108,527
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	19,370	36,061	200	15,188	-	8,569	-	-	5,272	-	87,641
Total receipts	71,656	103,192	-	-	103,431	24,466	37,370	211	15,188	-	8,695	-	-	5,419	4,276	376,887
Disbursements																
Operating																
Public safety	33,330	-	-	-	-	-	35,799	-	-	-	-	-	-	-	-	69,129
Public works	3,439	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,439
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	3,194	-	-	-	-	-	-	-	1,235	-	-	-	-	-	-	4,429
Community and economic development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,979	2,979
General government	23,962	-	-	-	-	-	-	-	-	16,771	-	-	-	-	-	40,733
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	53,932	19,412	-	-	-	-	16,805	-	-	840	-	90,989
Total disbursements	63,925	-	-	-	53,932	19,412	35,799	-	1,235	16,771	16,805	-	-	840	2,979	211,698
Excess of receipts over (under) disbursements	7,731	103,192	-	-	49,499	5,054	1,571	211	13,934	(16,771)	(8,110)	-	-	7,579	1,299	165,189
Other financing sources (uses)																
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-	-	5,000	-	87,082	1,299	3,150	-	96,531
Operating transfers out	(1,000)	(103,192)	(1,720)	(13,260)	-	(6,574)	-	-	-	-	-	(19,432)	-	-	(1,299)	(146,497)
Total other financing sources (uses)	(1,000)	(103,192)	(1,720)	(13,260)	-	(6,574)	-	-	-	5,000	-	67,650	1,299	3,150	(1,299)	(49,966)
Net change in cash balances	6,731	-	(1,720)	(13,260)	49,499	(1,520)	1,571	211	13,934	(11,771)	(8,110)	67,650	1,299	10,729	-	115,223
Cash balances beginning of year	(8,767)	-	1,720	25,588	(47,333)	1,520	57,574	2,632	602	8,233	9,128	-	-	10,962	100,000	161,579
Cash balances end of year	$ (2,036)	$ -	$ -	$ 12,328	$ 2,166	$ -	$ 59,145	$ 2,843	$ 14,536	$ (3,538)	$ 1,018	$ 67,650	$ 1,299	$ 21,691	$ 100,000	$ 277,102
Cash Basis Fund Balances																
Unreserved																
Special revenue funds	$ (2,036)	$ -	$ -	$ 12,328	$ 2,166	$ -	$ 59,145	$ 2,843	$ 14,536	$ (3,538)	$ 1,018	$ 67,650	$ 1,299	$ -	$ -	$ 155,411
Capital projects fund	-	-	-	-	-	-	-	-	-	-	-	-	-	21,691	-	21,691
Permanent fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Total cash basis fund balances	$ (2,036)	$ -	$ -	$ 12,328	$ 2,166	$ -	$ 59,145	$ 2,843	$ 14,536	$ (3,538)	$ 1,018	$ 67,650	$ 1,299	$ 21,691	$ 100,000	$ 277,102

See accompanying independent auditor's report.

CITY OF MONONA

SCHEDULE OF INDEBTEDNESS

As of and for the year ended June 30, 2007

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	$ 260,000	$ -	$ 50,000	$ 210,000	$ 11,968
Family Aquatic Center	Dec. 1, 2002	2.30 - 4.50%	300,000	225,000	-	30,000	195,000	9,195
Corporate Purpose	June 15, 2006	4.05 - 4.65%	500,000	-	500,000	-	500,000	19,032
				$ 485,000	$ 500,000	$ 80,000	$ 905,000	$ 40,195
Revenue Notes								
Assisted Living Facility Revenue Note,Series 2005A	Sept. 29, 2005	4.125%	$ 1,700,000	$ 1,698,079	$ -	$ -	$ 1,698,079	$ 70,125
Assisted Living Facility Revenue Note,Series 2005B	June 30, 2006	6% (1)	1,070,000	1,070,000	-	29,141	1,040,859	62,906
Child Care Facility Enterprise	April 2, 2006	4.125%	243,000	-	243,000	-	243,000	-
				$ 2,768,079	$ 243,000	$ 29,141	$ 2,981,938	$ 133,031

(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, 2007

GENERAL OBLIGATION BONDS AND NOTES

Year Ending June 30,	Fire Station Issued Nov 1, 2001 Interest Rates	Amount	Family Aquatic Center Issued Dec 1, 2002 Interest Rates	Amount	Corporate Purpose Issued June 15, 2006 Interest Rates	Amount	Total
2008	4.45%	$ 50,000	3.70%	$ 30,000	0.00%	$ -	$ 80,000
2009	4.60	55,000	4.00	30,000	4.05	40,000	125,000
2010	4.75	55,000	4.15	30,000	4.10	45,000	130,000
2011	4.90	50,000	4.30	35,000	4.15	45,000	130,000
2012		-	4.40	35,000	4.20	45,000	80,000
2013		-	4.50	35,000	4.25	50,000	85,000
2014		-		-	4.35	50,000	50,000
2015		-		-	4.40	55,000	55,000
2016		-		-	4.45	55,000	55,000
2017		-		-	4.55	55,000	55,000
2018		-		-	4.65	60,000	60,000
		$ 210,000		$ 195,000		$ 500,000	$ 905,000

REVENUE BONDS AND NOTES

Year Ending June 30,	Assisted Living Facility Series 2005A Issued Sept 29,2005 Interest Rates	Amount	Assisted Living Facility Series 2005B Issued June 30, 2006 Interest Rates	Amount	Child Care Facility Enterprise Issued April 2, 2007 Interest Rates	Amount	Total
2008	4.125%	$ 18,851	6.00%	$ 30,391	4.125%	$ -	$ 49,242
2009	4.125	19,837	6.00	32,266	4.125	2,492	54,595
2010	4.125	20,671	6.00	34,256	4.125	2,828	57,755
2011	4.125	21,540	6.00	36,369	4.125	2,947	60,856
2012	4.125	22,262	6.00	38,612	4.125	3,071	63,945
2013	4.125	23,381	6.00	40,993	4.125	3,200	67,574
2014	4.125	24,364	6.00	43,522	4.125	3,335	71,221
2015	4.125	25,389	6.00	46,206	4.125	3,475	75,070
2016	4.125	26,283	6.00	49,056	4.125	3,621	78,960
2017	4.125	27,561	6.00	52,081	4.125	3,773	83,415
2018	4.125	28,719	6.00	55,294	4.125	3,932	87,945
2019	4.125	29,927	6.00	58,704	4.125	4,097	92,728
2020	4.125	31,025	6.00	62,325	4.125	4,269	97,619
2021	4.125	32,489	6.00	66,169	4.125	4,449	103,107
2022	4.125	33,855	6.00	70,250	4.125	4,636	108,741
2023	4.125	35,278	6.00	74,583	4.125	4,830	114,691
2024	4.125	36,617	6.00	79,183	4.125	5,034	120,834
2025	4.125	38,301	6.00	84,067	4.125	5,245	127,613
2026	4.125	39,911	6.00	86,532	4.125	5,466	131,909
2027	4.125	41,588		-	4.125	5,695	47,283
2028	4.125	43,211		-	4.125	5,935	49,146
2029	4.125	45,153		-	4.125	6,184	51,337
2030	4.125	47,052		-	4.125	6,444	53,496
2031	4.125	49,029		-	4.125	6,715	55,744
2032	4.125	50,987		-	4.125	6,998	57,985
2033	4.125	53,234		-	4.125	7,292	60,526
2034	4.125	55,472		-	4.125	7,598	63,070
2035	4.125	57,804		-	4.125	7,918	65,722
2036	4.125	60,156		-	4.125	8,250	68,406
2037	4.125	62,763		-	4.125	8,597	71,360
2038	4.125	65,401		-	4.125	8,959	74,360
2039	4.125	68,151		-	4.125	9,336	77,487
2040	4.125	70,967		-	4.125	9,728	80,695
2041	4.125	73,999		-	4.125	10,137	84,136
2042	4.125	77,110		-	4.125	10,563	87,673
2043	4.125	80,351		-	4.125	11,007	91,358
2044	4.125	83,717		-	4.125	11,470	95,187
2045	4.125	75,673		-	4.125	11,952	87,625
2046		-		-	4.125	11,522	11,522
		$ 1,698,079		$ 1,040,859		$ 243,000	$ 2,981,938

See accompanying independent auditor's report.

CITY OF MONONA

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

For the Last Four Years

	2007	2006	2005	2004
Receipts				
Property tax	$ 444,493	$ 429,746	$ 412,559	$ 390,503
Tax increment financing collections	-	-	-	-
Other city tax	113,136	100,424	94,116	100,078
Licenses and permits	4,333	4,175	3,323	3,063
Use of money and property	64,001	25,105	19,311	22,255
Intergovernmental	737,674	207,833	523,404	350,684
Charges for service	32,775	38,599	43,682	42,116
Special assessments	-	-	-	-
Miscellaneous	440,352	192,484	418,996	1,135,935
Total	$ 1,836,764	$ 998,366	$ 1,515,391	$ 2,044,634
Disbursements				
Operating				
Public safety	$ 234,610	$ 176,065	$ 194,250	$ 194,939
Public works	160,421	254,938	141,102	353,285
Health and social services	3,780	3,285	6,978	3,285
Culture and recreation	143,977	146,030	136,827	141,883
Community and economic development	5,150	9,726	145,311	64,376
General government	171,837	167,881	152,369	150,343
Debt service	121,195	2,769,788	279,785	230,150
Capital projects	1,491,564	623,352	2,906,942	691,367
Total	$ 2,332,534	$ 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, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditure
Direct			
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10.766	97-03	$ 205,451
Community Facilities Loans and Grants	10.766	00-04	42,266
Community Facilities Loans and Grants	10.766	16-022-0426004974	46,057
			293,774
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	6135111	242
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	53,932
	14.228	06-CF-019	416,711
	14.228	03-ED-012	43
			470,686
U.S. Department of Justice			
Iowa Department of Justice			
Crime Victim Assistance Division			
Violence Against Women Formula Grants	16.588	VW-07-67D	1,797
U.S. Department of Transportation			
Iowa Department of Public Safety			
Governor's Traffic Safety Bureau			
Incentive Grants for Use of Seat Belts	20.604	07-157 Task 124	2,234
Total			$ 768,733

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 another 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 6, 2008. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monona's control over financial reporting.

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

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

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07and II-B-07 are material weaknesses.

Compliance and Other Matters

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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of 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.

February 6, 2008

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, 2007. 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 A-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, 2007. 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of 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 + Kalkmann P.C.

February 6, 2008

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

a. Unqualified opinions were 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. Significant deficiencies 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 significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which is considered to be 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 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, 2007

Part II: Findings Related to the Financial Statements

Significant Deficiencies

II-A-07

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. Also as a result, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

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 - City staff is aware of the lack of segregation of duties. Although we only have 2.5 in administrative staff, we work to keep good balance in the regular assigned duties in the office to keep a good check and balance system.

Conclusion - Response accepted.

II-B-07

Preparation of Financial Statements – The Mayor, Council members and management share the ultimate responsibility for the City's financial statements including the footnote disclosures and supplementary information even though Hagen and Kallevang, P.C. is engaged to assist with the preparation of them. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Also, Hagen and Kallevang, P.C. as the independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to prepare the financial statements and disclosures but has not initialized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Recommendation - We recommend that sufficient financial statement and disclosure review procedures be performed by an individual processing a thorough understanding of the accounting principles applicable to the City's financial reporting. Also its activities and operations. The individual can become knowledgeable through reading relevant accounting literature and attending professional education courses.

Response - City is always open to suggestions and/or recommendations for improved financial statement review and processing from our auditors. We've made adjustments and have implemented new procedures for Garden View and the Little Bulldog operations in the last two years and are willing to discuss any other changes as necessary.

Conclusion - Response accepted.

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

II-C-07

Cash in Bank

A. Authorized Signature - Two signatures are required on all checks issued by the City. We noted two were processed by the bank with only one signature.

Recommendation - We recommend the City review its disbursements system to make sure two signatures are present before issuing the check.

Response - All checks are reviewed during accounts payable processing. Sometimes static electricity causes checks to stick together which could lead to a check missing a signature. City will improve the final review of the checks before mailing to vendor.

Conclusion - Response accepted.

B. Non interest bearing - Separate bank accounts handle the receipts and disbursements related to the Garden View (Assisted Living) and Day Care (Little Bulldog Daycare) operations that are not interest bearing. We estimated using the bank's minimum interest rate, the City could have earned about $761.00.

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

Response - This will be reviewed and changed. Although the childcare has recently opened and the operating cash balance might not be high enough to qualify for an interest bearing account.

Conclusion - Response accepted.

C. 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 - Those checks have since been cashed, re-issued or paid out to state treasurer. Oldest current outstanding checks to date is from June 4, 2007.

Conclusion - Response accepted.

II-D-07

Financial Reporting – During the audit, we noted the allocation of the utility tax replacement excise tax from property taxes was misposted. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure the allocation is properly recorded during the year.

Response - Receipt of these funds will be monitored closer to assure correct coding and entry.

Conclusion - Response accepted.

II-E-07

Purchase of Goods – The City's librarian purchased items on behalf of the City personally and then was reimbursed by the City. For the year just ended the amount totaled over $1,200.00 which included over $83.00 of sales tax. The City does not usually pay sales tax therefore the current practice of reimbursing an employee is making the City pay the tax.

Recommendations – We recommend the City review the practice and by better planning for the expenditures will minimize the need for sales tax to be paid by the employee and then reimbursed by the City.

Response - This has been addressed with the librarian. However many of these purchases are made in Wisconsin where Iowa Sales Tax Exemption is not always granted.

Conclusion - Response accepted.

Instances of Non-Compliance

No material matters were reported.

Part III – Findings and Questioned Costs for Federal Awards

Instance of Non-Compliance

No matters were reported

Significant Deficiency

All Federal Programs

III-A-07

Segregation of Duties

See item II-A-07

Part IV: Other Findings Related to Statutory Reporting

IV-A-07

Certified Budget – Prior to amending the budget in May 2007 disbursements exceeded the amounts budgeted in the community & economic development and capital projects functions. Then disbursements at June 30, 2007 exceeded two different functions (central government and business types). Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should be amended, multiple times if needed, in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - Projections made during the spring budget amendment time will be adjusted accordingly to better predict funds needed for the final months of the fiscal year.

Conclusion - Response accepted.

IV-B-07

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-07

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

IV-D-07

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	$ 630
Mark Willems, Council Member Owner of Alla-Clay Farmacy, Inc.	Supplies	448
William Benda, Employee Owner of Benda Concrete	Concrete	2,351

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the employee appears to represent a conflict of interest since total transactions were more than $1,500 during the fiscal year.

Recommendations - We recommend consulting with the City's attorney concerning the issue.

Response - Normally this is kept in check. However $1,350 of the $2,351 was work done for the Monona Public Garden and Trails committee who was unaware of the $1,500 limit. Better review will be done on the city's end to ensure that $1,500 is not exceeded. City attorney will be contacted as suggested.

Conclusion - Response accepted.

IV-E-07

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 ensure that the coverage is adequate for current operations.

CITY OF MONONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

IV-F-07

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

IV-G-07

Deposits and Investments - The City's investment policy is current and being followed.

IV-H-07

Bond Issues - The City received accrued interest of $240.92 on the sale of a new bond issue. The interest was not recorded or later transferred to the Debt Service fund but kept in the Capital Project account.

Recommendation - We recommend the interest be transferred to Debt Service to be available for future interest expense payments. Also the City should record accrued interest on future bond sales in the debt paying account depending on if it is a general obligation or revenue type issue.

Response - City will make the suggested changes.

Conclusion - Response accepted.

IV-I-07

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, 2007 the required amounts were in place.

Recommendation - We recommend the monthly transfers be made as required.

Response - Monthly transfers for Garden View payments are all currently being made.

Conclusion - Response accepted.

IV-J-07

Financial Conditions - Several accounts had deficit balances at June 30, 2007.

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

Response - On June 30, 2007 two accounts were in the negative.

1. Trust and Agency fund. This was in the negative due to higher than expected expenses from that account in previous years. Current certified budget levied sufficient funds to get this back into the positive, which it was as of January 2008.
2. Health Fund. This level of usage for this account fluctuates regularly and transfers are done on an as needed basis. Current account balance as of January 2008 was in the positive.

Conclusion - Response accepted.