



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

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

NEWS RELEASE

FOR RELEASE

April 13, 2021

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Monticello, Iowa.

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$6,440,930 for the year ended June 30, 2020, a 30.5% decrease from the prior year. Disbursements for the year ended June 30, 2020 totaled \$7,826,249, a 7.8% increase over the prior year. The significant decrease in receipts is due primarily to proceeds received from the issuance of general obligation bonds during fiscal year 2019. The increase in disbursements is due primarily to an increase in disbursements for street and trail capital projects.

**AUDIT FINDINGS:**

Sand reported ten findings related to the receipt and disbursement of taxpayer funds and three pertaining to the City's component units. They are found on pages 52 through 61 of this report. The findings address issues such as a lack of segregation of duties, the lack of computer system policies, disbursements exceeding budgeted amounts, related party transactions and the lack of a City ordinance establishing the solid waste rate. Sand provided the City and the component units with recommendations to address each of the findings.

Seven of the findings discussed above for the City and the findings pertaining to the component units are repeated from the prior year. The City Council and management of the component units have a fiduciary responsibility to provide oversight of the City's and the component units' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF MONTICELLO**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2020**

**City of Monticello**



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Rob Sand  
Auditor of State

April 9, 2021

Officials of the City of Monticello  
Monticello, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Monticello, Iowa, for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Monticello throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand  
Auditor of State

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	14
Fiduciary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balance	D	15
Notes to Financial Statements		16-30
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		32-33
Notes to Other Information – Budgetary Reporting		35
Schedule of the City’s Proportionate Share of the Net Pension Liability		36-37
Schedule of City Contributions		38-39
Notes to Other Information – Pension Liability		40
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	42-43
Schedule of Indebtedness	2	44-45
Bond Maturities	3	46-47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	48-49
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 <u>Government Auditing Standards</u>		50-51
Schedule of Findings		52-61
Staff		62

**City of Monticello**

**Officials**

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Wolken	Mayor	Jan 2020
Johnny Russ	Mayor Pro Tem	(Resigned Feb 2019)
Tom Yeoman	Mayor Pro Tem	Jan 2022
Brenda Hanken (Elected Nov 2018)	Council Member	Jan 2020
Chris Lux	Council Member	Jan 2020
Rob Paulson	Council Member	Jan 2020
Candy Langerman (Appointed Apr 2019)	Council Member	Nov 2021
Dave Goedken	Council Member	Jan 2022
Douglas Herman	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Patrick J. O'Connell	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Wolken	Mayor	Jan 2022
Tom Yeoman	Mayor Pro Tem	Jan 2022
Candy Langerman	Council Member	Nov 2021
Dave Goedken	Council Member	Jan 2022
Gary Feldman	Council Member	(Resigned Sep 2020)
Scott Brighton (Appointed Oct 2020)	Council Member	Nov 2021
Brenda Hanken	Council Member	Jan 2024
Chris Lux	Council Member	Jan 2024
Douglas Herman	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Patrick J. O'Connell	Attorney	Indefinite

**City of Monticello**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Monticello, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Monticello as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monticello's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2021 on our consideration of the City of Monticello's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Monticello's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

April 9, 2021

**City of Monticello**

## **Basic Financial Statements**

City of Monticello

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,401,631	272,587	95,240	-
Public works	662,433	119,686	509,987	117,146
Culture and recreation	863,631	126,045	62,970	-
Community and economic development	228,608	1,188	-	-
General government	445,116	104,860	490	-
Debt service	890,953	-	3,350	-
Capital projects	2,064,298	72,163	18,407	56,094
Total governmental activities	6,556,670	696,529	690,444	173,240
Business type activities:				
Water	281,430	454,029	-	-
Sewer	400,835	620,880	-	-
Sanitation	587,314	535,243	-	-
Total business type activities	1,269,579	1,610,152	-	-
Total primary government	\$ 7,826,249	2,306,681	690,444	173,240
<b>Component Unit:</b>				
Monticello Firefighter's Organization	\$ 57,069	-	68,800	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Utility franchise fees				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent fund purposes				
Expendable:				
Streets				
Debt service				
Library purposes				
Customer deposits				
Fire purposes				
Employee benefits				
Capital projects				
Equipment set-aside				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	Monticello Firefighter's Organization	
(1,033,804)	-	(1,033,804)		
84,386	-	84,386		
(674,616)	-	(674,616)		
(227,420)	-	(227,420)		
(339,766)	-	(339,766)		
(887,603)	-	(887,603)		
(1,917,634)	-	(1,917,634)		
(4,996,457)	-	(4,996,457)		
-	172,599	172,599		
-	220,045	220,045		
-	(52,071)	(52,071)		
-	340,573	340,573		
(4,996,457)	340,573	(4,655,884)		
			11,731	
1,575,695	-	1,575,695	-	
384,688	-	384,688	-	
237,047	-	237,047	-	
375,407	-	375,407	-	
25,230	-	25,230	-	
236,858	-	236,858	-	
62,260	-	62,260	-	
37,732	7,563	45,295	3,730	
-	87,202	87,202	-	
240,883	-	240,883	-	
214,036	(214,036)	-	-	
3,389,836	(119,271)	3,270,565	3,730	
(1,606,621)	221,302	(1,385,319)	15,461	
5,468,314	281,848	5,750,162	261,637	
\$ 3,861,693	503,150	4,364,843	277,098	
\$ 289,628	-	289,628	-	
587,533	-	587,533	-	
100,070	-	100,070	-	
253,221	-	253,221	-	
-	92,381	92,381	-	
-	-	-	277,098	
409,079	-	409,079	-	
742,526	-	742,526	-	
-	16,685	16,685	-	
173,487	-	173,487	-	
1,306,149	394,084	1,700,233	-	
\$ 3,861,693	503,150	4,364,843	277,098	

City of Monticello

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

As of and for the year ended June 30, 2020

	Special Revenue		
	General	Urban Renewal Tax Increment	Road Use Tax
Receipts:			
Property tax	\$ 1,105,628	-	-
Tax increment financing	-	237,047	-
Local Option Sales Tax	375,407	-	-
Other city tax	53,878	-	-
Licenses and permits	252,629	-	-
Use of money and property	239,637	11,917	-
Intergovernmental	140,887	-	487,932
Charges for service	329,736	-	-
Special assessments	-	-	-
Miscellaneous	177,447	-	957
Total receipts	2,675,249	248,964	488,889
Disbursements:			
Operating:			
Public safety	1,140,479	-	-
Public works	158,421	-	437,497
Culture and recreation	689,209	-	-
Community and economic development	-	228,608	-
General government	392,097	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	2,380,206	228,608	437,497
Excess (deficiency) of receipts over (under) disbursements	295,043	20,356	51,392
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(99,761)	(290,300)	-
Total other financing sources (uses)	(99,761)	(290,300)	-
Change in cash balances	195,282	(269,944)	51,392
Cash balances beginning of year	1,195,181	270,766	536,141
Cash balances end of year	\$ 1,390,463	822	587,533
<b>Cash Basis Fund Balances</b>			
Nonspendable - Permanent Funds	\$ -	-	-
Restricted for:			
Streets	-	-	587,533
Debt service	-	822	-
Library purposes	42,150	-	-
Employee benefits	-	-	-
Capital projects	-	-	-
Other purposes	42,164	-	-
Assigned for:			
Capital equipment	28,157	-	-
Unassigned	1,277,992	-	-
Total cash basis fund balances	\$ 1,390,463	822	587,533

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
430,306	375,555	-	-	1,911,489
-	-	-	-	237,047
-	-	-	-	375,407
11,113	9,133	-	-	74,124
-	-	700	-	253,329
6,823	3,350	14,508	11,812	288,047
14,214	11,684	129,378	-	784,095
-	-	-	-	329,736
-	-	71,463	-	71,463
-	-	148,696	84,176	411,276
462,456	399,722	364,745	95,988	4,736,013
250,505	-	-	10,647	1,401,631
66,515	-	-	-	662,433
93,926	-	-	80,496	863,631
-	-	-	-	228,608
53,019	-	-	-	445,116
-	890,953	-	-	890,953
-	-	2,064,298	-	2,064,298
463,965	890,953	2,064,298	91,143	6,556,670
(1,509)	(491,231)	(1,699,553)	4,845	(1,820,657)
-	504,336	99,761	-	604,097
-	-	-	-	(390,061)
-	504,336	99,761	-	214,036
(1,509)	13,105	(1,599,792)	4,845	(1,606,621)
410,588	86,143	2,342,318	627,177	5,468,314
409,079	99,248	742,526	632,022	3,861,693
-	-	-	289,628	289,628
-	-	-	-	587,533
-	99,248	-	-	100,070
-	-	-	211,071	253,221
409,079	-	-	-	409,079
-	-	742,526	-	742,526
-	-	-	131,323	173,487
-	-	-	-	28,157
-	-	-	-	1,277,992
409,079	99,248	742,526	632,022	3,861,693



**Exhibit C**

## City of Monticello

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

As of and for the year ended June 30, 2020

	Enterprise				Internal Service Self Insurance
	Water	Sewer	Sanitation	Total	
Operating receipts:					
Charges for service	\$ 436,420	612,653	531,832	1,580,905	20,753
Miscellaneous	17,609	8,227	3,411	29,247	-
Total operating receipts	454,029	620,880	535,243	1,610,152	20,753
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	1,646
Public works	-	-	-	-	1,417
Culture and recreation	-	-	-	-	7,421
General government	-	-	-	-	5,454
Business type activities	281,430	400,835	531,933	1,214,198	4,815
Total operating disbursements	281,430	400,835	531,933	1,214,198	20,753
Excess (deficiency) of operating receipts over (under) operating disbursements	172,599	220,045	3,310	395,954	-
Non-operating receipts:					
Interest on investments	1,835	4,717	1,011	7,563	-
Capital outlay	-	-	(55,381)	(55,381)	-
Sale of capital assets	-	-	87,202	87,202	-
Net non-operating receipts	1,835	4,717	32,832	39,384	-
Excess of receipts over disbursements	174,434	224,762	36,142	435,338	-
Transfers out	(105,504)	(108,532)	-	(214,036)	-
Change in cash balances	68,930	116,230	36,142	221,302	-
Cash balances beginning of year	92,920	121,968	66,960	281,848	-
Cash balances end of year	\$ 161,850	238,198	103,102	503,150	-
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Customer deposits	\$ 92,381	-	-	92,381	-
Equipment set-aside	8,273	-	8,412	16,685	-
Unrestricted	61,196	238,198	94,690	394,084	-
Total cash basis fund balances	\$ 161,850	238,198	103,102	503,150	-

See notes to financial statements.

## City of Monticello

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balance  
Fiduciary Fund

As of and for the year ended June 30, 2020

	<u>Agency</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ 3,750
Deductions:	
Medical reimbursements	<u>3,285</u>
Change in cash balance	465
Cash balance beginning of year	<u>704</u>
Cash balance end of year	<u>\$ 1,169</u>

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies**

The City of Monticello is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Monticello (the primary government) and Riverside Gardeners, Inc., Monticello Firefighters Organization, Inc., Monticello Emergency Medical Team, Friends of the Monticello Public Library and Monticello Youth Baseball and Softball Association (component units). These component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Monticello Firefighter's Organization is legally separate from the City. The Firefighter's Organization was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Firefighter's Organization collects donations which are used to purchase items not included in the City's budget. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Firefighter's Organization meets the definition of a component unit which should be discretely presented.

### Blended Component Units

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

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

Friends of the Monticello Public Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although Friends of the Monticello Public Library is legally separate from the City, its purpose is to benefit the City of Monticello public library by soliciting contributions and managing those funds.

Monticello Youth Baseball and Softball Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although Monticello Youth Baseball and Softball Association is legally separate from the City, its purpose is to benefit the City of Monticello parks and recreation by soliciting contributions and managing those funds.

### Jointly Governed Organizations

The City 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: Jones County Assessor's Conference Board, 911 Joint Service Board and Emergency Management Agency. The City also participates in the Jones County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

## B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balances to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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.

The City reports the following major governmental funds:

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

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the property tax levy and disbursements for employee benefits, such as health insurance, pensions, etc.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and certain equipment, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitation Fund accounts for the operation and maintenance of the City's sanitation system.

The City reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of a portion of the benefits employees are entitled to under the collective bargaining agreement/union contract due to the City buying higher deductible health insurance policies.

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

C. Measurement Focus and Basis of Accounting

The City 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 is both restricted and unrestricted cash basis net position 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned funds.

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the capital projects function before the first budget amendment was approved.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 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 ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

### (3) Long-Term Debt

#### General Obligation Bonds

A summary of changes in bonds and installment purchase agreements payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,890,000	-	760,000	4,130,000	780,000
Installment purchase agreements	30,000	131,466	35,894	125,572	32,968
Governmental activities total	<u>\$ 4,920,000</u>	<u>131,466</u>	<u>795,894</u>	<u>4,255,572</u>	<u>812,968</u>

#### General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	General Obligation Bonds					
	Issued Jun 1, 2020			Issued Oct 21, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.60%	\$ 140,000	5,040	2.25%	\$ 265,000	18,713
2022		-	-	2.25	170,000	12,750
2023		-	-	2.50	170,000	8,925
2024		-	-	2.75	170,000	4,675
2025		-	-		-	-
2026-2029		-	-		-	-
Total		<u>\$ 140,000</u>	<u>5,040</u>		<u>\$ 775,000</u>	<u>45,063</u>

Year Ending June 30,	General Obligation Bonds								
	Issued May 17, 2016			Issued May 15, 2019			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.20%	\$ 150,000	14,558	3.00%	\$ 225,000	69,139	\$ 780,000	107,450	887,450
2022	1.30	150,000	12,758	3.00	230,000	62,861	550,000	88,369	638,369
2023	1.45	155,000	10,808	3.00	240,000	56,398	565,000	76,131	641,131
2024	1.60	155,000	8,560	3.00	245,000	49,534	570,000	62,769	632,769
2025	1.80	160,000	6,080	3.00	255,000	42,380	415,000	48,460	463,460
2026-2029	2.00	160,000	3,200	3.00	1,090,000	89,496	1,250,000	92,696	1,342,696
Total		<u>\$ 930,000</u>	<u>55,964</u>		<u>\$ 2,285,000</u>	<u>369,808</u>	<u>\$ 4,130,000</u>	<u>475,875</u>	<u>4,605,875</u>

On June 1, 2010, the City issued \$1,310,000 of general obligation bonds with interest rates ranging from 1.00% to 3.60% per annum. The bonds were issued to refund the 2002 Sewer Revenue Bonds. During the year ended June 30, 2020, the City paid \$135,000 of principal and \$9,765 of interest on the bonds.

On October 21, 2014, the City issued \$1,595,000 of general obligation bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were issued for the purpose of paying the costs of designing and constructing street, bridge, and sanitary sewer system improvements, installing street lighting improvements, and making improvements to existing municipal parks. During the year ended June 30, 2020, the City paid \$265,000 of principal and \$24,675 of interest on the bonds.



On May 17, 2016, the City issued \$2,640,000 of general obligation bonds with interest rates ranging from 0.75% to 2.00% per annum. The bonds were issued for the purpose of refunding the 2008 sewer revenue bonds and the 2008 general obligation bonds. During the year ended June 30, 2020, the City paid \$145,000 of principal and \$16,080 of interest on the bonds.

On May 15, 2019, the City issued \$2,500,000 of general obligation bonds with interest rates of 3.00% per annum. The bonds were issued for the purpose of paying the costs of constructing street, water system, sanitary sewer system, sidewalk and storm water drainage improvements and installing street lighting, signage and signalization. During the year ended June 30, 2020, the City paid \$215,000 of principal and \$78,333 of interest on the bonds.

### Installment and Lease Purchase Agreements

A summary of the City's June 30, 2020 installment purchase agreements is as follows:

Year Ending June 30,	Airport Terminal Building Apr 25, 2011			Airport Hangars Feb 17, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	4.00%	\$ 10,000	802	5.00%	\$ 12,000	3,000
2022	4.00	10,000	400	5.00	12,000	2,400
2023		-	-	5.00	12,000	1,800
2024		-	-	5.00	12,000	1,200
2025		-	-	5.00	12,000	600
Total		\$ 20,000	1,202		\$ 60,000	9,000

Year Ending June 30,	Utility Work Vehicle Mar 2, 2020			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.99%	\$ 10,968	1,619	\$ 32,968	5,421	38,389
2022	3.99	11,414	1,173	33,414	3,973	37,387
2023	3.99	11,878	710	23,878	2,510	26,388
2024	3.99	11,312	227	23,312	1,427	24,739
2025		-	-	12,000	600	12,600
Total		\$ 45,572	3,729	\$ 125,572	13,931	139,503

On April 25, 2011, the City entered into an installment purchase agreement with Monticello Aviation, Inc. for \$110,000 for the purchase of the fixed base operations building.

The agreement commenced July 1, 2011 and requires annual payments of \$10,000 plus interest at 4.00% per annum on the unpaid balance. During the year ended June 30, 2020, the City paid principal of \$10,000 and interest of \$1,200 on the agreement.

On February 17, 2020, the City entered into an installment purchase agreement with Monticello Aviation, Inc. for \$75,000 for the purchase of two airport hangar buildings.

The agreement commenced March 1, 2020 and requires annual payments of \$12,000 plus interest at 5.00% per annum on the unpaid balance. During the year ended June 30, 2020, the City paid principal of \$15,000 and interest of \$0 on the agreement.

On March 2, 2020, the City entered into a lease purchase agreement with Rexco Equipment, Inc. for \$46,466 for the purchase of a front loader utility work vehicle.

The agreement commenced May 1, 2020 and requires annual payments of \$12,587 including interest at 3.99% per annum on the unpaid balance. During the year ended June 30, 2020, the City paid principal of \$10,894 and interest of \$155 of the agreement.

#### **(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$148,083.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$515,442 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.008901%, which was a decrease of 0.001669% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$192,563, \$176,728 and \$221,891, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,424,584	515,442	(246,502)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$200,072 and plan members eligible for benefits contributed \$20,394 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Monticello and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	30
Total	<u>30</u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City also allows employees to accumulate holiday and compensatory time during the fiscal year in lieu of overtime pay. The City's approximate liability for earned compensated absences payable to employees at June 30, 2020, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 63,000
Compensatory time	1,000
Holiday	3,000
Total	<u>\$ 67,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

**(7) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

	Single	Family
Employee	\$ 500	1,000
City	3,000	6,000

In addition to the deductible, the City also self-funds a portion of office visits and prescription co-pays. Employees are charged \$20 per PPO office visit and \$40 per non-PPO office visit, while the employee agreements (City employees union, policy manual and police) state employees are responsible for 10% of the actual cost if a network provider is used and 20% if the provider is outside the network. Therefore, the City reimburses the employees for the difference, if any.

For prescriptions, the City reimburses employees for the entire deductible (\$100 single deductible and \$200 family deductible) as well as the difference between the co-pay (ranges from \$5 to \$70) paid by the employee and the amounts the employee agreements state the employee is responsible for (\$8 for Tier 1 medications, \$35 for Tier 2 medications, and \$50 for Tier 3 and Tier 4 medications).

The City also partially self-funds dental insurance. The dental deductible is \$25 for single and \$75 for family. The City’s dental insurance covers 100% of diagnostic and preventative care, 80% of routine and restorative care, and 50% of major care with an annual maximum benefit per person of \$2,000. The City is responsible for the difference between the amount covered by insurance and the amount of coverage stated in the employee agreements.

**(8) Urban Renewal Project Agreements**

The City has entered into various tax increment financing development agreements for urban renewal projects. The agreements require the City to provide incremental property tax payments to developers in exchange for infrastructure improvements and development of commercial projects by the developers. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating developer will be rebated for a period of 10 years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements are expected to end by fiscal year 2031. Certain agreements require the City to make grant payments, subject to timing and performance requirements as set forth in the agreements. The total rebates and grants to be paid by the City under the agreements is not to exceed \$4,193,113. The total amount rebated and granted during the year ended June 30, 2020 was \$228,608. The total cumulative amount rebated and granted since inception of the existing agreements is \$1,076,314. Certain agreements are subject to annual appropriation by the City Council.

**(9) Library Trusts**

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

**(10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	\$ 290,300
	Enterprise:	
	Water	105,504
	Sewer	108,532
		<u>504,336</u>
Capital Projects	General	<u>99,761</u>
Total		<u>\$ 604,097</u>

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

**(11) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$276,885 during the year ended June 30, 2020.

**(12) Revolving Loan Fund**

In 2001, the City established a revolving loan account within the General Fund to provide loans to promote economic development within the City. The account was established with proceeds from an economic development RISE grant. At June 30, 2020, active loans had an outstanding balance of \$953.

**(13) Interfund Loans**

The detail of the interfund loan at June 30, 2020 is as follows:

Due From	Due To	Amount
Enterprise, Water	General	\$ 40,770
Enterprise, Sewer	General	33,586
		<u>\$ 74,356</u>

On July 15, 2019, the City approved an interfund loan from the General Fund to the Enterprise, Water Operating Fund for \$40,770 and the Enterprise, Sewer Fund for \$33,586 to eliminate deficit balances. The deficit balances were caused by engineering fees related to the 6<sup>th</sup> street ditch project and repairs to the West well. These loans are to be repaid through transfers over the course of fiscal years 2020 and 2021. No transfers have been made to the General Fund as of June 30, 2020.

**(14) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$92,065 of property tax was diverted from the City under the urban renewal and economic development agreements.



**(15) Prospective Accounting Changes**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**(16) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Monticello, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Monticello. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Monticello's operations and finances.

**Other Information**

City of Monticello  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,911,489	-	-
Tax increment financing	237,047	-	-
Local option sales tax	375,407	-	-
Other city tax	74,124	-	-
Licenses and permits	253,329	-	-
Use of money and property	288,047	7,563	733
Intergovernmental	784,095	-	-
Charges for service	329,736	1,580,905	-
Special assessments	71,463	-	-
Miscellaneous	411,276	29,247	81,608
Total receipts	<u>4,736,013</u>	<u>1,617,715</u>	<u>82,341</u>
Disbursements:			
Public safety	1,401,631	-	10,647
Public works	662,433	-	-
Culture and recreation	863,631	-	70,451
Community and economic development	228,608	-	-
General government	445,116	-	-
Debt service	890,953	-	-
Capital projects	2,064,298	-	-
Business type activities	-	1,214,198	-
Total disbursements	<u>6,556,670</u>	<u>1,214,198</u>	<u>81,098</u>
Excess (deficiency) of receipts over (under) disbursements	(1,820,657)	403,517	1,243
Other financing sources (uses), net	214,036	(182,215)	-
Change in balances	(1,606,621)	221,302	1,243
Balances beginning of year	<u>5,468,314</u>	<u>281,848</u>	<u>134,142</u>
Balances end of year	<u>\$ 3,861,693</u>	<u>503,150</u>	<u>135,385</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Net Variance
1,911,489	1,942,615	1,942,615	(31,126)
237,047	210,385	210,385	26,662
375,407	-	-	375,407
74,124	353,727	353,727	(279,603)
253,329	235,250	235,250	18,079
294,877	240,516	254,066	40,811
784,095	644,222	872,111	(88,016)
1,910,641	1,991,390	1,997,240	(86,599)
71,463	13,625	23,625	47,838
358,915	240,496	424,832	(65,917)
6,271,387	5,872,226	6,313,851	(42,464)
1,390,984	1,474,384	1,490,367	99,383
662,433	851,035	930,232	267,799
793,180	781,971	983,967	190,787
228,608	172,774	266,596	37,988
445,116	569,668	551,456	106,340
890,953	891,356	894,346	3,393
2,064,298	1,075,000	2,796,363	732,065
1,214,198	1,682,233	1,681,601	467,403
7,689,770	7,498,421	9,594,928	1,905,158
(1,418,383)	(1,626,195)	(3,281,077)	1,862,694
31,821	325,000	110,095	(78,274)
(1,386,562)	(1,301,195)	(3,170,982)	1,784,420
5,616,020	3,940,781	3,940,781	1,675,239
4,229,458	2,639,586	769,799	3,459,659

**City of Monticello**

City of Monticello

Notes to Other Information – Budgetary Reporting

June 30, 2020

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended and discretely presented component units and the Internal Service and Agency Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise 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 first budget amendment increased budgeted disbursements by \$2,185,857 and the second budget amendment decreased disbursements by \$89,350. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020 disbursements in the capital projects function exceeded the amount budgeted before the first budget amendment was approved.

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City of Monticello

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Six Years\*  
(In Thousands)

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.008901%	0.010570%	0.011098%	0.010692%
City's proportionate share of the net pension liability	\$ 515	669	739	673
City's covered payroll	\$ 1,512	1,496	1,481	1,386
City's proportionate share of the net pension liability as a percentage of its covered payroll	34.06%	44.72%	49.90%	48.56%
IPERS' net position as a percentage of the total pension liability	85.45%	83.60%	82.21%	81.82%

\* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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2016	2015
0.008820%	0.007086%
436	281
1,400	1,381
31.14%	20.35%
85.19%	87.61%



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City of Monticello

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 148	149	140	139
Contributions in relation to the statutorily required contribution	<u>(148)</u>	<u>(149)</u>	<u>(140)</u>	<u>(139)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,530	1,512	1,496	1,481
Contributions as a percentage of covered payroll	9.67%	9.85%	9.36%	9.39%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
130	133	131	126	116	107
(130)	(133)	(131)	(126)	(116)	(107)
-	-	-	-	-	-
1,386	1,400	1,381	1,331	1,296	1,283
9.38%	9.50%	9.49%	9.47%	8.95%	8.34%

City of Monticello

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

## **Supplementary Information**

City of Monticello

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

				Special
				Monticello
	Police	Slavka Gehret Trust	Riverside Gardeners, Inc.	Emergency Medical Team
	Forfeiture			
Receipts:				
Use of money and property	\$ 11	6,799	60	673
Miscellaneous	300	-	8,625	27,042
Total receipts	311	6,799	8,685	27,715
Disbursements:				
Operating:				
Public safety	-	-	-	10,647
Culture and recreation	-	4,592	5,143	-
Total disbursements	-	4,592	5,143	10,647
Change in cash balances	311	2,207	3,542	17,068
Cash balances beginning of year	843	203,648	6,052	44,390
Cash balances end of year	\$ 1,154	205,855	9,594	61,458
<b>Cash Basis Fund Balances</b>				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Library purposes	-	205,855	-	-
Other purposes	1,154	-	9,594	61,458
Total cash basis fund balances	\$ 1,154	205,855	9,594	61,458

See accompanying independent auditor's report.

Revenue		Permanent			
Friends of the Monticello Public Library	Monticello Youth Baseball and Softball Association	Cemetery Perpetual Care	Ioma M. Baker Library Trust	Charles S. Bidwell Book Trust	Total
-	-	-	727	3,542	11,812
6,686	39,255	2,268	-	-	84,176
6,686	39,255	2,268	727	3,542	95,988
-	-	-	-	-	10,647
4,647	60,661	-	2,097	3,356	80,496
4,647	60,661	-	2,097	3,356	91,143
2,039	(21,406)	2,268	(1,370)	186	4,845
3,177	80,523	164,379	40,495	83,670	627,177
5,216	59,117	166,647	39,125	83,856	632,022
-	-	166,647	39,125	83,856	289,628
5,216	-	-	-	-	211,071
-	59,117	-	-	-	131,323
5,216	59,117	166,647	39,125	83,856	632,022

City of Monticello  
Schedule of Indebtedness  
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
General corporate purpose refunding, Series 2010	Jun 1, 2010	1.00-3.60%	\$ 1,310,000
General corporate purpose refunding, Series 2014	Oct 21, 2014	2.00-2.75	1,595,000
General corporate purpose refunding, Series 2016	May 17, 2016	0.75-2.00	2,640,000
General corporate purpose refunding, Series 2019	May 15, 2019	3.00	2,500,000
Total			
Installment purchase agreement:			
Airport Terminal Building	Apr 25, 2011	4.00%	\$ 110,000
Airport Hangars	Feb 17, 2020	5.00%	75,000
Front Loader Utility Work Vehicle	Mar 2, 2020	3.99%	56,466
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
275,000	-	135,000	140,000	9,765
1,040,000	-	265,000	775,000	24,675
1,075,000	-	145,000	930,000	16,080
2,500,000	-	215,000	2,285,000	78,333
<b>\$ 4,890,000</b>	<b>-</b>	<b>760,000</b>	<b>4,130,000</b>	<b>128,853</b>
30,000	-	10,000	20,000	1,200
-	75,000	15,000	60,000	-
-	56,466	10,894	45,572	155
<b>\$ 30,000</b>	<b>131,466</b>	<b>35,894</b>	<b>125,572</b>	<b>1,355</b>



City of Monticello

Bond Maturities

June 30, 2020

Year Ending June 30,	General Obligation						
	Refunding		General Corporate Purpose		General Corporate Purpose and Refunding		
	Issued June 1, 2010		Issued Oct 21, 2014		Issued May 17, 2016		
Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rates	Amount		Amount
2021	3.60%	\$ 140,000	2.25%	\$ 265,000	1.20%	\$	150,000
2022		-	2.25	170,000	1.30		150,000
2023		-	2.50	170,000	1.45		155,000
2024		-	2.75	170,000	1.60		155,000
2025		-		-	1.80		160,000
2026		-		-	2.00		160,000
2027		-		-			-
2028		-		-			-
2029		-		-			-
Total		<u>\$ 140,000</u>		<u>\$ 775,000</u>			<u>\$ 930,000</u>

See accompanying independent auditor's report.

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Bonds

General Corporate  
Purpose and Refunding  
Issued May 15, 2019

Interest

Rates	Amount	Total
3.00% \$	225,000	780,000
3.00	230,000	550,000
3.00	240,000	565,000
3.00	245,000	570,000
3.00	255,000	415,000
3.00	260,000	420,000
3.00	270,000	270,000
3.00	275,000	275,000
3.00	285,000	285,000
	<u>\$ 2,285,000</u>	<u>4,130,000</u>

City of Monticello

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

For the Last Ten Years

	2020	2019	2018	2017
<b>Receipts:</b>				
Property tax	\$ 1,911,489	1,708,332	1,675,454	1,614,852
Tax increment financing	237,047	701,595	677,167	687,017
Local Option Sales Tax	375,407	320,996	303,276	321,671
Other city tax	74,124	67,297	67,491	59,739
Licenses and permits	253,329	268,185	256,577	240,231
Use of money and property	288,047	295,977	227,020	219,114
Intergovernmental	784,095	1,069,450	1,842,509	984,472
Charges for service	329,736	342,780	419,282	378,155
Special assessments	71,463	7,043	28,750	8,625
Miscellaneous	411,276	375,431	356,557	345,414
<b>Total</b>	<b>\$ 4,736,013</b>	<b>5,157,086</b>	<b>5,854,083</b>	<b>4,859,290</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,401,631	1,353,932	1,406,420	1,264,186
Public works	662,433	983,896	560,099	513,294
Culture and recreation	863,631	859,634	707,194	709,030
Community and economic development	228,608	158,874	152,717	154,145
General government	445,116	422,457	402,548	388,120
Debt service	890,953	1,155,893	1,146,258	1,080,718
Capital projects	2,064,298	945,687	2,007,692	1,427,765
<b>Total</b>	<b>\$ 6,556,670</b>	<b>5,880,373</b>	<b>6,382,928</b>	<b>5,537,258</b>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
1,507,823	1,418,243	1,359,156	1,207,353	1,196,924	1,106,176
697,082	705,038	707,631	954,563	715,234	875,293
318,789	331,227	294,450	313,805	288,736	285,781
45,379	47,045	294,875	262,843	250,719	271,344
236,417	257,563	23,739	15,898	12,521	11,904
211,953	199,545	182,975	195,688	169,191	158,905
656,846	613,988	1,785,111	860,934	1,148,043	841,758
421,657	442,108	513,066	538,875	581,031	587,068
10,245	8,841	25,545	33,067	32,125	18,767
322,355	593,478	496,566	398,060	548,260	332,503
4,428,546	4,617,076	5,683,114	4,781,086	4,942,784	4,489,499
1,301,333	1,314,857	1,314,483	1,554,299	1,418,347	1,259,332
505,104	472,415	567,227	523,740	476,325	649,183
684,872	650,097	714,327	565,742	575,555	547,686
160,185	138,630	115,893	143,022	75,855	47,860
447,938	425,395	437,104	437,900	430,613	383,658
978,276	1,031,717	1,186,490	1,128,656	1,317,865	1,137,119
1,578,911	777,768	1,719,321	1,716,184	1,848,696	519,204
5,656,619	4,810,879	6,054,845	6,069,543	6,143,256	4,544,042



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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited 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, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Monticello, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monticello's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monticello's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Monticello's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Monticello's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) through (H) to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Monticello's Responses to the Findings

The City of Monticello's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Monticello's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

April 9, 2021

City of Monticello

Schedule of Findings

Year ended June 30, 2020

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's and each component unit's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all general accounting functions, including journal entries and having custody of City assets.
- (2) Cash – reconciling bank accounts, signing checks, and cashiers not assigned their own cash funds.
- (3) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – (including receipts pertaining to the separately maintained account for the Berndes Recreation Center) opening mail, collecting, depositing, posting and reconciling. Also, all individuals can void receipts.
- (5) Utility receipts – utility rates entered into the utility system are not independently reviewed and tested to ensure proper calculations.

For the Bernes Recreation Center, one individual collects, records and deposits receipts. There is no independent review.

Cause – The City and the Berndes Recreation Center have a limited number of employees and volunteers and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's and the Berndes Recreation Center's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Monticello

Schedule of Findings

Year ended June 30, 2020

Recommendation – The City and the Berndes Recreation Center should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and volunteers, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Independent reviews of financial transactions reconciliations and reports should be documented by the signature or initials of the reviewer and the date of the review.

Response – City staff have implemented processes over the last number of years to improve the issues falling within the “Segregation of Duties” category. City staff will continue to explore additional opportunities to improve our internal controls.

The City Administrator will continue to work with the Berndes Recreation Center Director and Assistant Director to create practices and policies that will appropriately address the concerns set forth within this comment.

Conclusion – Response accepted.

(B) Bank Reconciliations – Monticello Youth Baseball and Softball Association

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – For six of the twelve months in the fiscal year, bank reconciliations were not prepared for the Monticello Youth Baseball and Softball Association. Additionally, for months where bank reconciliations were prepared, there was no evidence of independent review.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting.

Effect – The lack of a complete bank to book reconciliation and a lack of independent review of bank reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Monthly bank reconciliations should be performed and reconciled to book balances. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – City staff will communicate this recommendation to the entity identified within the recommendation and offer to assist them with improved procedures.

Conclusion – Response accepted.



City of Monticello

Schedule of Findings

Year ended June 30, 2020

(C) Computer System Policies

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and help ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change logins/passwords periodically.
- ensuring only software licensed to the City is installed on computers.
- usage of the internet.
- personal use of computer equipment and software.

Cause – Management has not required written policies for the above computer-based controls.

Effect – Lack of written policies for computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer systems.

Response – City staff will investigate policies addressing the above issues and will work to implement a policy by the end of this fiscal year.

Conclusion – Response accepted.

(D) Disaster Recovery Plan

Criteria – A disaster recovery plan for financial continuity should include the following:

- Identification of critical applications.
- Identification of steps for recovery of any operating systems for City operations.
- Identification of computer equipment needed for temporary processing.
- Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
- Requirement to keep a copy of the disaster recovery plan off site.
- Requirement to keep system backups current and off site.
- An inventory of all hardware and components.
- An inventory of all software applications.
- A requirement that copies of all user documentation and policy and procedures manuals be located off site.

City of Monticello

Schedule of Findings

Year ended June 30, 2020

- A requirement for extra stock of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- Requirement outlining the frequency of testing the disaster recovery plan to identify issues and document the results of testing.

Condition – The City does not have a disaster recovery plan.

Cause – Management has not required written disaster recovery policies addressing financial continuity.

Effect – Lack of a disaster recovery plan could result in the City’s inability to function in the event of a disaster or continue business without interruption.

Recommendation – A written disaster recovery plan should be developed.

Response – City staff will investigate policies on the above plan and will work to implement a plan.

Conclusion – Response accepted.

(E) Berndes Recreation Center

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all Berndes Recreation Center concession and rental fees and for periodic review of those records by someone independent of other duties related to the Berndes Recreation Center receipts. Proper accounting includes records that include a description of the receipt and the date it was collected. Independent review of these records should include comparing receipt information to amounts deposited in the bank.

Condition – The Berndes Recreation Center collects concession and rental fees without providing pre-numbered receipts and periodically remits deposits to the City Clerk for recording on City’s general ledger. No documentation supporting the deposits was provided to determine proper classification of the amounts by source.

Cause – Procedures have not been designed and implemented to ensure sufficient records are maintained to properly account for concession and rental fees, to ensure pre-numbered receipts are issued and maintained, or to require independent review of those records.

Effect – This condition could result in unrecorded or misstated concession and rental fees and the opportunity for misappropriation.

Recommendation – The City should require all collections be supported by a pre-numbered receipt and supporting documentation should be available to determine and support the proper classification by source. Independent review of financial records, including a reconciliation of pre-numbered receipts to the deposit, should be documented by the signature or initials of the reviewer and the date of the review.

City of Monticello

Schedule of Findings

Year ended June 30, 2020

Response – The City Administrator will continue to work with the Parks Department Director and Assistant Director to create practices and policies that will appropriately address the concerns set forth within this comment. Parks Department has implemented an online payment system which will provide a breakdown of payments made by classification. City staff will continue to explore additional opportunities to address the concerns noted herein.

Conclusion – Response accepted.

(F) Receipts

Criteria – An effective internal control system provides for internal controls related to ensuring all receipts are properly accounted for.

Condition – No report is maintained or reviewed for voided receipts.

Cause – Policies have not been established and procedures have not been implemented to require a voided receipt listing to be prepared and reviewed independently.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and opportunity for misappropriations.

Recommendation – The City should prepare a listing of voided receipts and an independent person should review this listing to ensure that voided transactions are appropriate.

Response – Based upon the recommendations received during the audit City staff will institute a process to address the concerns listed here.

Conclusion – Response accepted.

(G) Friends of the Monticello Public Library

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Friends of the Monticello public Library's (Friends of the Library) financial statements.

Condition – The same individual records receipts, prepares deposits, and makes deposits. The same individual also prepares and signs checks.

Cause – The Friends of the Library have a limited number of volunteers and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Monticello

Schedule of Findings

Year ended June 30, 2020

Effect – Inadequate segregation of duties could adversely affect the Friends of the Library's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Friends of the Library should segregate accounting duties to the extent possible.

Response – The Library Director will communicate this finding to the Friends of the Library. City staff will offer our services and guidance to help the Friends of the Library address segregation of duties concerns outlined here.

Conclusion – Response accepted.

(H) Monticello Firefighters' Organization, Inc.

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Monticello Firefighters' Organization, Inc.'s (Firefighters' Organization) financial statements.

Condition – The same individual receives donations in the mail and makes deposits. The same individual also reviews receipts and writes and sign checks.

Cause – The Firefighters' Organization has a limited number of volunteers and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Firefighters' Organization ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Firefighters' Organization should segregate accounting duties to the extent possible.

Response – City staff will communicate this finding to the Fire Chief. City staff will offer our services and guidance to help the Firefighters' Organization address segregation of duties concerns outlined here.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2020

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the Capital Projects function prior to a budget amendment. 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 have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – City staff will keep a closer eye on the budget and amend the budget prior to spending in excess of the budget.

Conclusion – Response accepted.

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

Name, Title and Business Connection	Date	Invoice	Transaction Description	Amount
Dave Savage, Airport Advisory Board Member, owner of Insurance Associates, Inc.	7/16/2019	18636	Workman’s Comp Insurance	\$ 99,234
	11/5/2019	18745	Property Insurance for streets dept	374
	3/17/2020	18855	Property Insurance for sanitation dept	255
	3/18/2020	18845	Property Insurance for cityhall, ambulance, cemetery, fire dept, library, parks, police dept, aquatic center, streets dept, sanitation dept, sewer dept, soldier’s memorial and water dept	127,967
	5/5/2020	18874	Property Insurance for airport	2,412
	6/16/2020	18894	Property Insurance for Bobcat	76
				<u>230,318</u>
Trent Adams, Planning & Zoning Board of Adjustments, owner of Next Generation Plumbing & Heating	7/2/2019	8591	Repair and maintenance for Water dept	118
	7/16/2019	8616	Repair and maintenance for swimming pool	249
	7/16/2019	8649	Repair and maintenance for Berndes Center	165
	7/16/2019	8658	Repair and maintenance for Berndes Center	1,662
	8/6/2019	8684	Repair and maintenance for Pocket park	101
	8/6/2019	8694	Repair and maintenance for sewer system	127
	8/20/2019	8699	Repair and maintenance for ambulance and police dept buildings	164
	8/20/2019	8682	Repair and maintenance for swimming pool	124
	9/4/2019	8778	Repair and maintenance for Berndes Center	208
	9/4/2019	8780	Repair and maintenance for water dept equipment	640
	11/5/2019	8926	Repair and maintenance for streets dept	208

City of Monticello

Schedule of Findings

Year ended June 30, 2020

	12/3/2019	8943	Repair and maintenance for swimming pool equipment	1,402
	12/3/2019	8977	Repair and maintenance for cityhall, library buildings	1,076
	12/3/2019	9000	Repair and maintenance for Berndes Center	466
	12/3/2019	8980	Repair and maintenance for water dept building	2,373
	1/7/2020	9113	Repair and maintenance for cityhall	63
	1/7/2020	9056	Repair and maintenance for streets dept building	357
	1/7/2020	9061	Repair and maintenance for streets dept building	55
	1/21/2020	9156	Repair and maintenance for streets dept building	75
	1/21/2020	9088	Repair and maintenance for water dept building	2,191
	2/5/2020	9197	Repair and maintenance for fire dept building	275
	4/7/2020	9342	Repair and maintenance for city hall, soldier's memorial	68
	4/21/2020	9308	Repair and maintenance for library building	375
	5/5/2020	9344	Repair and maintenance for airport building	96
	6/2/2020	9419	Repair and maintenance for swimming pool equipment	906
	6/2/2020	9414	Repair and maintenance for sewer equipment	60
	6/16/2020	9472	Repair and maintenance for police dept building	48
				13,652
Zeb Bowser, City Employee brother owns Breeden Tree Service			Tree removal	4,505
Molli Jenn Hunter, City Employee, owner of D&D Services			Janitorial services	3,019
Linda Kahler, mother of Nick Kahler, City employee			Embroidery services for City work shirts	1,757
Jackson Snyder, fire department volunteer, Kraus Plumbing & Heating			Services	618
Dave McNeill, Volunteer for ambulance, owner of McNeill AJH Hardware			Hardware supplies	263
Kim Brooks, Library Board Member, employee of Monticello Express			Services and supplies: Library	456
Mark Spensley, department volunteer, owner of Monticello Express			Services and supplies: Other departments	12,400
Doug Monck, Ambulance Advisory Board Member, employee of Monticello Machine Shop			Services and supplies: Other departments	991
Nick Miller, Park Board Member, employee of Ohnward Bank			Services	799
Joshua and Ron Kelchen, fire department volunteers, owners of Premier Home Solutions			Services	4,581
Jim Tjaden and Jay Yanda, City employees, brothers-in-law, owners of Snow-Go, Inc.			Services	325
Johnny Russ, Council Member, employee of Spahn and Rose Lumber Company			Supplies	3,201
Total				\$ 276,885

The transactions with Zeb Bowser, Molli Jenn Hunter, Linda Kahler, Jim Tjaden and Jay Yanda, Dave McNeill, Doug Monck, Nick Miller, Johnny Russ and Monticello Express for the library do not represent conflicts of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa because the cumulative totals with each during the fiscal year were less than \$6,000.

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with Jackson Snyder, Joshua and Ron Kelchen do not represent a conflict of interest, since these individuals are volunteer fire fighters.

The remaining transactions with Next Generation Plumbing & Heating and Insurance Associates, Inc. may represent conflicts of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions exceed \$6,000 during the fiscal year and the transactions were not competitively bid.

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

City of Monticello

Schedule of Findings

Year ended June 30, 2020

Response – Further review of all noted transactions has occurred. It is the position of the City that these are all long arm transactions not at all impacted by the relationship between the business and the City as noted above. City staff are conscious of perceptions related to dealing between staff, board members, etc., and their businesses, and based thereon only interacts with said businesses as would be the case absent the relationship. Continued scrutiny of these types of transactions will occur.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Utility Rate – The City’s solid waste rate was not established by ordinance.

Recommendation – The City should establish the solid waste rate by ordinance, as required by Chapter 384.84 of the Code of Iowa.

Response – Chapter 384.84 provides that “rates must be established by ordinance of the Council...” Chapter 106 of the Monticello Code of Ordinances provides for Sanitation Rates, indicating at 106.08(1) that “The fee for solid waste shall be established, from time to time, by separate resolution of the Council.” While the position taken by the Auditor is understood, it is a very tightly construed reading of the Iowa Code, a more broad interpretation of the Iowa Code suggesting that the current City Code and City practice with regard to the setting of specific rates by Resolution, as authorized by the Ordinance, meets the obligations imposed by Chapter 384.84. The City will consult with legal counsel on this issue and will consider amendments to the City Code as deemed appropriate.

Conclusion – Response acknowledged. The City should establish solid waste rates as required by Chapter 384.4 of the Code of Iowa.

- (8) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. The minutes publications did not include a summary of total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish a summary of total disbursements by fund, as required.

Response – While we published the list of disbursement with the minutes, we were not printing a summary of disbursements with each list of bills and we published a quarterly summary of the disbursements. We will start to publish the summary of disbursements with the minutes, in a timely manner.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2020

- (9) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (10) Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.



City of Monticello

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Janet K. Mortvedt, CPA, Manager  
Brett S. Gillen, CPA, Senior Auditor  
Vivian J. Hustad, Staff Auditor  
Brandon L. Weddell, Assistant Auditor