



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

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Auditor of State

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**NEWS RELEASE**

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FOR RELEASE \_\_\_\_\_ May 31, 2018

Auditor of State Mary Mosiman today released an audit report on the City of Monticello, Iowa.

The City's receipts totaled \$6,696,304 for the year ended June 30, 2017, a 23.2% decrease from the prior year. The receipts included \$1,661,270 in property tax, \$2,170,244 from charges for service, \$1,101,173 from operating grants, contributions and restricted interest, \$351,807 from capital grants, contributions and restricted interest, \$687,017 from tax increment financing, \$321,671 from local option sales tax, \$227,478 from utility franchise tax, \$64,694 from commercial/industrial tax replacement, \$59,124 from unrestricted interest on investments and \$51,826 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$6,981,949, a 17.9% decrease from the prior year, and included \$1,427,765 for capital projects, \$1,264,186 for public safety and \$1,080,718 for debt service. Also, disbursements for business type activities totaled \$1,444,691.

The significant decrease in receipts and disbursements is due primarily to bond proceeds received which were used to refund debt in the prior year.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1720-0495-B00F>.

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**CITY OF MONTICELLO**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

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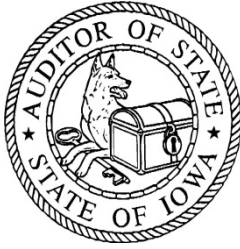
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**City of Monticello**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dena Himes	Mayor	Jan 2018
Tom Yeoman	Mayor Pro tem	Jan 2018
Dave Goedken	Council Member	Jan 2018
Johnny Russ	Council Member	Jan 2018
Chris Lux	Council Member	Jan 2020
Brian Wolken	Council Member	Jan 2020
Rob Paulson	Council Member	Jan 2020
Douglas Herman	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Anne E. Loomis	Attorney	Indefinite

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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, 2017, 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, 2017, 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, 2016 (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, Management's Discussion and Analysis, 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 7 through 15 and 38 through 44, 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 May 16, 2018 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.

  
MARY MOSIMAN, CPA  
Auditor of State

May 16, 2018



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Monticello provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 29.1%, or approximately \$2,009,000, from fiscal year 2016 to fiscal year 2017. During the fiscal year ended June 30, 2016, the City received approximately \$2,453,000 of bond proceeds compared to none in the current year.
- Disbursements of the City's governmental activities decreased 17.9%, or approximately \$1,204,000. The City disbursed \$1,085,000 during the prior year to refund bonds.
- The City's total cash basis net position decreased approximately \$286,000. Of this amount, the cash basis net position of the governmental activities decreased approximately \$374,000 and the cash basis net position of the business type activities increased approximately \$88,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and the sanitation system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for water, sewer and sanitation operations. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 3) The Fiduciary Fund accounts for resources held for others. The Fiduciary Fund consists of an Agency, Flexible Benefits Fund.

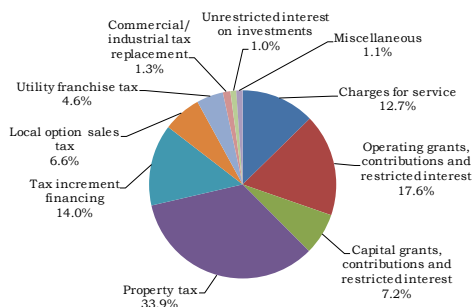
The required financial statement for the Fiduciary Fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

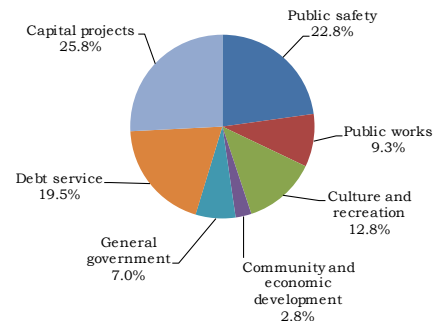
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from approximately \$4.0 million to approximately \$3.6 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 622,415	650,850
Operating grants, contributions and restricted interest	859,451	727,162
Capital grants, contributions and restricted interest	351,807	141,909
General receipts:		
Property tax	1,661,270	1,552,580
Tax increment financing	687,017	697,082
Local option sales tax	321,671	318,789
Utility franchise tax	227,478	219,963
Commercial/industrial tax replacement	64,694	74,221
Unrestricted interest on investments	48,129	44,535
Bond proceeds	-	2,453,400
Miscellaneous	51,826	24,384
Total receipts	<u>4,895,758</u>	<u>6,904,875</u>
Disbursements:		
Public safety	\$ 1,264,186	1,301,333
Public works	513,294	505,104
Culture and recreation	709,030	684,872
Community and economic development	154,145	160,185
General government	388,120	447,938
Debt service	1,080,718	978,276
Capital projects	1,427,765	1,578,911
Bonds refunded	-	1,085,000
Total disbursements	<u>5,537,258</u>	<u>6,741,619</u>
Change in cash basis net position before transfers	(641,500)	163,256
Transfers, net	267,512	168,155
Change in cash basis net position	(373,988)	331,411
Cash basis net position beginning of year	<u>3,985,389</u>	<u>3,653,978</u>
Cash basis net position end of year	<u>\$ 3,611,401</u>	<u>3,985,389</u>

**Receipts by Source**



**Disbursements by Function**



Receipts of the City's governmental activities increased 29.1%, or approximately \$2,009,000, from fiscal year 2016 to fiscal year 2017. During the fiscal year ended June 30, 2016, the City received approximately \$2,453,000 of bond proceeds compared to none in the current year.

The cost of all governmental activities this year was approximately \$5,537,000 compared to approximately \$6,742,000 in the prior year. The City disbursed \$1,085,000 during the prior year to refund bonds.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 450,591	451,507
Sewer	634,806	612,518
Sanitation	462,432	446,770
Operating grants, contributions and restricted interest	241,722	105,669
General receipts:		
Unrestricted interest on investments	10,995	14,950
Bond proceeds	-	180,000
Total receipts	1,800,546	1,811,414
Disbursements:		
Water	289,724	318,512
Sewer	649,287	814,965
Sanitation	505,680	446,752
Bonds refunded	-	180,000
Total disbursements	1,444,691	1,760,229
Change in cash basis net position before transfers	355,855	51,185
Transfers, net	(267,512)	(168,155)
Change in cash basis net position	88,343	(116,970)
Cash basis net position beginning of year	747,945	864,915
Cash basis net position end of year	\$ 836,288	747,945

Total business type activities receipts for the fiscal year were approximately \$1,801,000 compared to approximately \$1,811,000 last year, a less than 1% decrease. Total disbursements for the fiscal year decreased to approximately \$1,445,000 compared to approximately \$1,760,000 last year, a decrease of 17.9%. The decrease in disbursements was due primarily to bond proceeds received during the prior year to refund sewer revenue bonds and fewer capital outlay disbursements in the current year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$3,611,401, a decrease of \$373,988 from last year's total of \$3,985,389. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$265,805 over the prior year to \$1,122,567. Receipts increased approximately \$193,000, or 8.5%, and disbursements decreased approximately \$133,000, or 6.1%. The increase in the cash balance is primarily due to an increase in property tax and intergovernmental receipts for a fire protection gear grant.
- The Special Revenue, Tax Increment Financing (TIF) Fund cash balance increased \$38,644 over the prior year to \$231,389. Disbursements for developer agreements and transfers to the Debt Service Fund for payment of TIF debt decreased in the current year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$115,470 over the prior year to \$521,127. Road use tax receipts increased \$2,142. Disbursements increased \$13,403 over the prior year to \$355,779.
- The Special Revenue, Employee Benefits Fund cash balance increased \$78,277 over the prior year to \$371,527. Receipts increased \$19,387 over the prior year and disbursements increased \$28,883 over the prior year.
- The Debt Service Fund cash balance increased \$16,350 over the previous year to \$55,334. Receipts and disbursements increased \$24,006 and \$102,442, respectively, over the prior year.
- The Capital Projects Fund cash balance decreased \$891,787 from the prior year to \$745,990. The decrease was primarily due to disbursements for capital projects including street and airport projects.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$60,154, or 13.3%, to \$512,950. Operating receipts remained consistent with the prior year and disbursements decreased \$28,788, or 9.0% due to pump repairs in the prior year.
- The Enterprise, Sewer Fund cash balance increased \$69,254 to \$155,523. Operating receipts increased \$21,580 and operating disbursements increased \$71,711 due to increased equipment repairs. Debt service disbursements decreased \$510,258 due to paying off the sewer revenue bonds in the prior year.
- The Enterprise, Sanitation Fund cash balance decreased \$41,065 to \$167,815. Operating receipts increased \$15,662 and operating disbursements increased \$59,808 due to increased dumpster collections.

## BUDGETARY HIGHLIGHTS

During the year, the City of Monticello amended its budget once. The amendment was adopted on May 15, 2017 and resulted in decreases in both budgeted receipts and disbursements. The amendment increased receipts for receiving an AFG grant for fire clothing, FEMA funds and insurance reimbursements for hail damage but decreased receipts for grants not awarded or grants delayed until next year and eliminated proposed bonding. Disbursement increases were made for a squad car, hail damage repairs, park and recreation staffing and sewer plant improvements and repairs. Decreases in disbursements included capital project delays for the airport hangar, Sixth Street and Main Street projects.

The City's receipts were \$19,641 less than budgeted and total disbursements were \$1,761,694 less than the amended budget. Actual disbursements for the capital projects and business type activities functions were \$692,067 and \$493,441, respectively, less than the amended budget primarily due to delayed projects.

## DEBT ADMINISTRATION

At June 30, 2017, the City had \$4,585,000 of bonds and other long-term debt outstanding, compared to \$5,360,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
General obligation bonds	\$4,535,000	5,515,000
Installment purchase agreement	50,000	60,000
Total	<u>\$4,585,000</u>	<u>5,575,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt totaling \$4,938,425, including \$353,425 for developer agreements is below its constitutional debt limit of approximately \$11.0 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Monticello's organizational chart and Code of Ordinances place the responsibility for the preparation of the budget largely on the City Administrator, with the assistance of the City Clerk and department heads. The budget process gets underway, in earnest, during the month of January and wraps up in the month of March. While the City Administrator is responsible for the preparation and proposal of the budget, the department heads are intricately involved in the preparation of proposed budgets related to their department. The process related to the preparation of the Library budget follows a different path. Typically, the preparation of the Library budget is a collaborative effort between the Library Director, City Administrator and Library Board, with the extent of the City Administrator's involvement being largely determined by the Library Board. The City Council has historically appropriated funds to the Library from the General Fund to cover a significant portion of the Library's annual operating expenses. The City Administrator provides input to the City Council on General Fund appropriations and the ability of the General Fund to meet requests for appropriations, whether from the Library or for other purposes. A draft proposed budget is reviewed with the Council along with a discussion of outstanding debt, upcoming capital projects, assessed and taxable valuations, and the Council's desires with regard to tax rates. After a complete review of those matters the City Council provides direction to the City Administrator with regard to their desires associated therewith.

The City budget process includes multiple meetings, both formal and informal, by and between the City Administrator, department heads, and Mayor and City Council members. Most of the formal discussions happen as part of a regular City Council meeting, usually following the completion of that meetings “regular” business. The City Council will, on occasion, schedule a special work session to review the proposed budget or portions thereof. Throughout the year a constant analysis of ongoing disbursements is undertaken with an eye towards operating more efficiently. The primary focus has been on disbursements as opposed to receipts due to the fact the City’s revenue stream options are limited and, to a great extent, out of our control. This does not mean additional revenue streams are not considered and pursued when possible. The Council is always ready to consider how the City may play a role in creating a pro-growth and progressive community where existing businesses wish to grow and new businesses wish to locate. In the last number of years the City has realized substantial savings in the categories of insurance, telephone expenses, interest (savings created by the early payment of debt with cash or bond proceeds at a lower interest rate), and overtime minimization. In addition, staff is always seeking out even small opportunities for cost savings. When potential cost savings opportunities are identified, efforts are made to implement practices and procedures to realize those savings. In addition to the efforts of city administration to cut costs, any and all other cost cutting options the City Council may propose from time to time also receive careful consideration. The City continues to give careful consideration to the annual TIF certification, only certifying those sums necessary to meet immediate obligations, freeing up more property tax dollars for division as if they were not being collected from properties located within the City TIF District.

Our gross tax rate is comprised of three individual levies: the \$8.10 General Fund levy, the debt service levy and the employee benefits levy. The funds generated by the \$8.10 levy are used to support the following departments: police, aquatic center, cemetery, airport, administration, engineer and attorney and appropriations to the library, park and recreation, fire department, ambulance, as necessary, and other miscellaneous categories. Nearly all City Departments have their own revenue streams as well. Most noteworthy in that regard would be the ambulance, airport, park and recreation and police department, to a lesser extent. Of those departments, the airport is the only department that produces annual revenues that normally exceed its annual expenses.

The debt service levy is largely pre-determined by the amount of debt payments to be made by the City during the coming year. The City Council attempts to maintain a consistent tax rate, and therefore, debt levy. Staff and Council track existing debt obligations and strive to only take on new debt when that new debt, and the payments related thereto, will not increase the City tax rate. If and when a debt issuance becomes callable, a careful analysis of the possibility and appropriateness of satisfying the debt in advance of its scheduled maturity is undertaken. If the City’s debt service levy creates funds in excess of what is required to make annual debt payments those excess funds are used to meet future debt obligations. (An example of a situation that creates excess debt service levy would be where the City levied for funds to meet a debt obligation and that debt obligation is callable and is refunded prior to the receipt and use of the levied sums.) This cash on hand is used to offset future debt service levies and/or to pay other debt in advance of its maturity.

The employee benefits levy is based upon the cost of paying contractually or statutorily mandated employee benefits, such as insurance, retirement account contributions, social security/Medicare, etc. In an effort to control our “benefit” costs, the City chose, a number of years ago, to self-fund a portion of our health care costs. For example, we purchase health insurance with an annual deductible of \$3,000 instead of the \$500 deductible we are contractually obligated to provide. By self-funding the difference of \$2,500 per employee we have realized significant premium savings, generally in excess of 20% savings over what would have been spent on premium expense had the City not pursued partial self-funding.

Another variable to weigh when setting our tax rate is the availability of cash in the Special Revenue, Employee Benefits Fund. At the creation of the budget, and therefore the tax rate, we are estimating as best we can what the employee benefits expenses will be in the coming year and basing the tax rate on those estimates. In some years we collect more than we spend. That excess, or cash balance, gives us the flexibility to pay for a coming year's estimated benefits with cash on hand as opposed to levying for the full estimated amount of expenses. Due to considerations associated with the Affordable Care Act we have continued forward with a "grandfathered" plan. Each year we look closely at multiple options related to health insurance.

In addition to careful management of daily expenses and a review of all areas within which savings may be realized, the City of Monticello's elected and appointed officials and department heads also consider many other factors in preparing the annual budget. Important factors include necessary infrastructure additions or improvements, equipment updates and/or replacements and investment in other projects and/or ventures deemed by the City Council to be in the best interest of the City.

The City's Combined Levy has remained basically static from fiscal year 2012 through the fiscal year 2018 and the fiscal year 2019 budget maintains that same practice, coming in with a combined levy of \$13.86894, just under the fiscal year 2018 levy of \$13.86897.

During fiscal year 2017, the City saw many capital improvements and was involved in many other significant projects and initiatives:

- 1) Moved forward with the E. 1<sup>st</sup> Street Bridge replacement project utilizing Federal Bridge funding in addition to local taxpayer funding.
- 2) Pursued the continued repair of numerous hail damaged City owned properties.
- 3) Numerous street repair projects, including patching, seal coat, curb and gutter, numerous manhole replacement projects, particularly on S. Main Street, and other miscellaneous improvements were pursued this year.
- 4) Continued planning for the 6<sup>th</sup> Street Ditch Project which is anticipated to begin in the fall of 2018 or the spring of 2019. Project to include the cleaning, clearing and shaping of the ditch, which is a recognized waterway by the Corps of Engineers and which also carries storm water from rural Jones County and various areas within the Monticello City limits.
- 5) Completion of the Airport Grading and Taxiway extension project to serve a new Ten-T Hangar to be constructed in fiscal year 2018.
- 6) City staff and Council reviewed City boundaries and worked with property owners to sever certain property from the City and to annex other properties, trying to create boundaries that make sense for the City.
- 7) Completed the Citizens State Bank Youth Development Center parking lot, a shared lot between said facility and the City owned Berndes Recreation Center, both being located at the City Park.
- 8) Substantially completed the E. South Street reconstruction project, including sanitary sewer, water, storm water, period lighting, undergrounding of overhead wires and new pavement.
- 9) Accepted and awarded a bid to paint the "old" water tower.



- 10) Entered into a development agreement with Orbis Mfg. associated with the construction of a 100,000 square foot addition to their facility.
- 11) Updated all lighting at the Monticello Berndes Rec. Center to all LED fixtures.
- 12) Participated in a shared driveway improvement project with the Monticello Golf Club and the Great Jones County Fair. The improved driveway serves the Golf Club, the Jones County Fair and provides access to the City Park which is utilized for various City functions.
- 13) Purchased a fire damaged residential structure that had long been a nuisance property with plans to clear the property and sell it for redevelopment.
- 14) Awarded a contract related to the rehabilitation of Main Street, both South and North Main, in partnership with the IDOT due to the fact that State Hwy. 38 and S. Main Street are one and the same for a stretch of roadway.
- 15) Approved membership in the Maquoketa River Watershed Management Authority.

Administration, staff and elected officials will continue to be proactive in seeking to control expenses while exploring all appropriate revenue generating options. Both City Administration/Staff and the City Council recognize the importance of avoiding stagnation. A continued proactive and progressive approach to infrastructure management, economic development, community aesthetics and amenities, and general quality of life are all vital to the long-term viability of the community, and the City Council will take those steps necessary to ensure that Monticello continues to be an attractive location for families and businesses to locate now and for many years to come.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sally Hinrichsen, City Clerk, 200 E. 1<sup>st</sup> Street, Monticello, Iowa, 52310.

**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, 2017

	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	\$ 1,264,186	302,116	109,986	87,120
Public works	513,294	96,076	499,314	-
Culture and recreation	709,030	136,005	207,738	-
Community and economic development	154,145	-	-	-
General government	388,120	82,373	750	-
Debt service	1,080,718	-	-	-
Capital projects	1,427,765	5,845	41,663	264,687
Total governmental activities	5,537,258	622,415	859,451	351,807
Business type activities:				
Water	289,724	450,591	-	-
Sewer	649,287	634,806	241,722	-
Sanitation	505,680	462,432	-	-
Total business type activities	1,444,691	1,547,829	241,722	-
Total primary government	\$ 6,981,949	2,170,244	1,101,173	351,807
<b>Component Unit:</b>				
Monticello Firefighter's Organization	\$ 53,890	-	57,810	-
<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				
Employee benefits				
Fire purposes				
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
(764,964)	-	(764,964)	
82,096	-	82,096	
(365,287)	-	(365,287)	
(154,145)	-	(154,145)	
(304,997)	-	(304,997)	
(1,080,718)	-	(1,080,718)	
(1,115,570)	-	(1,115,570)	
(3,703,585)	-	(3,703,585)	
-	160,867	160,867	
-	227,241	227,241	
-	(43,248)	(43,248)	
-	344,860	344,860	
(3,703,585)	344,860	(3,358,725)	
			3,920
1,360,781	-	1,360,781	-
300,489	-	300,489	-
687,017	-	687,017	-
321,671	-	321,671	-
13,321	-	13,321	-
227,478	-	227,478	-
64,694	-	64,694	-
48,129	10,995	59,124	2,963
36,468	-	36,468	-
2,037	-	2,037	-
267,512	(267,512)	-	-
3,329,597	(256,517)	3,073,080	2,963
(373,988)	88,343	(285,645)	6,883
3,985,389	747,945	4,733,334	220,674
\$ 3,611,401	836,288	4,447,689	227,557
\$ 286,056	-	286,056	-
521,127	-	521,127	-
286,723	-	286,723	-
240,968	-	240,968	-
-	88,645	88,645	-
371,527	-	371,527	-
-	-	-	227,557
745,990	-	745,990	-
-	231,285	231,285	-
111,919	-	111,919	-
1,047,091	516,358	1,563,449	-
\$ 3,611,401	836,288	4,447,689	227,557

City of Monticello

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

As of and for the year ended June 30, 2017

	Special Revenue		
	General	Tax Increment Financing	Road Use Tax
Receipts:			
Property tax	\$ 917,894	-	-
Tax increment financing	-	687,017	-
Other city tax	362,101	-	-
Licenses and permits	239,631	-	-
Use of money and property	191,572	4,974	-
Intergovernmental	226,172	-	471,249
Charges for service	378,155	-	-
Special assessments	-	-	-
Miscellaneous	138,144	-	-
Total receipts	<u>2,453,669</u>	<u>691,991</u>	<u>471,249</u>
Disbursements:			
Operating:			
Public safety	1,050,982	-	-
Public works	124,449	-	355,779
Culture and recreation	533,492	-	-
Community and economic development	-	154,145	-
General government	340,791	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,049,714</u>	<u>154,145</u>	<u>355,779</u>
Excess (deficiency) of receipts over (under) disbursements	<u>403,955</u>	<u>537,846</u>	<u>115,470</u>
Other financing sources (uses):			
Sale of property	-	18,234	-
Transfers in	29,002	-	-
Transfers out	(167,152)	(517,436)	-
Total other financing sources (uses)	<u>(138,150)</u>	<u>(499,202)</u>	<u>-</u>
Change in cash balances	265,805	38,644	115,470
Cash balances beginning of year	856,762	192,745	405,657
Cash balances end of year	<u>\$ 1,122,567</u>	<u>231,389</u>	<u>521,127</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Permanent Funds	\$ -	-	-
Restricted for:			
Streets	-	-	521,127
Debt service	-	231,389	-
Library purposes	30,079	-	-
Employee benefits	-	-	-
Capital projects	-	-	-
Other purposes	45,397	-	-
Assigned for:			
Capital equipment	73,392	-	-
Unassigned	973,699	-	-
Total cash basis fund balances	<u>\$ 1,122,567</u>	<u>231,389</u>	<u>521,127</u>

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
403,774	293,184	-	-	1,614,852
-	-	-	-	687,017
12,004	7,305	-	-	381,410
-	-	600	-	240,231
3,648	1,449	13,423	4,048	219,114
16,728	10,182	260,141	-	984,472
-	-	-	-	378,155
-	-	8,625	-	8,625
-	-	96,805	110,465	345,414
436,154	312,120	379,594	114,513	4,859,290
208,874	-	-	4,330	1,264,186
33,066	-	-	-	513,294
68,608	-	-	106,930	709,030
-	-	-	-	154,145
47,329	-	-	-	388,120
-	1,080,718	-	-	1,080,718
-	-	1,427,765	-	1,427,765
357,877	1,080,718	1,427,765	111,260	5,537,258
78,277	(768,598)	(1,048,171)	3,253	(677,968)
-	-	18,234	-	36,468
-	784,948	167,152	-	981,102
-	-	(29,002)	-	(713,590)
-	784,948	156,384	-	303,980
78,277	16,350	(891,787)	3,253	(373,988)
293,250	38,984	1,637,777	560,214	3,985,389
371,527	55,334	745,990	563,467	3,611,401
-	-	-	286,056	286,056
-	-	-	-	521,127
-	55,334	-	-	286,723
-	-	-	210,889	240,968
371,527	-	-	-	371,527
-	-	745,990	-	745,990
-	-	-	66,522	111,919
-	-	-	-	73,392
-	-	-	-	973,699
371,527	55,334	745,990	563,467	3,611,401

**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, 2017

	Enterprise			Total	Internal
	Water	Sewer	Sanitation		Service
					Self
					Insuranc
Operating receipts:					
Charges for service	\$ 436,210	610,795	459,393	1,506,398	17,246
Miscellaneous	14,381	15,456	3,039	32,876	-
Total operating receipts	450,591	626,251	462,432	1,539,274	17,246
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	2,595
Public works	-	-	-	-	1,567
Culture and recreation	-	-	-	-	654
General government	-	-	-	-	7,133
Business type activities	244,461	421,877	505,680	1,172,018	5,297
Total operating disbursements	244,461	421,877	505,680	1,172,018	17,246
Excess of operating receipts over operating disbursements	206,130	204,374	(43,248)	367,256	-
Non-operating receipts (disbursements):					
Interest on investments	5,886	2,926	2,183	10,995	-
Special assessments	-	8,555	-	8,555	-
Capital outlay	(45,263)	(227,410)	-	(272,673)	-
Intergovernmental	-	241,722	-	241,722	-
Net non-operating receipts (disbursements)	(39,377)	25,793	2,183	(11,401)	-
Excess (deficiency) of receipts over (under) disbursements	166,753	230,167	(41,065)	355,855	-
Transfers out	(106,599)	(160,913)	-	(267,512)	-
Change in cash balances	60,154	69,254	(41,065)	88,343	-
Cash balances beginning of year	452,796	86,269	208,880	747,945	-
Cash balances end of year	\$ 512,950	155,523	167,815	836,288	-
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Customer deposits	\$ 88,645	-	-	88,645	-
Equipment set-aside	181,439	-	49,846	231,285	-
Unrestricted	242,866	155,523	117,969	516,358	-
Total cash basis fund balances	\$ 512,950	155,523	167,815	836,288	-

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, 2017

	<u>Agency</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ 4,500
Deductions:	
Medical reimbursements	<u>4,999</u>
Change in cash balance	(499)
Cash balance beginning of year	<u>1,169</u>
Cash balance end of year	<u>\$ 670</u>

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2017

**(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, E-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/components:

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. Net position restricted through enabling Legislation consists of \$73,392 for equipment set-aside.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances 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 Tax Increment Financing 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. Governmental Cash Basis Fund Balances

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.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2017 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**

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 1,060,000	83,758
2019	1,085,000	68,093
2020	545,000	50,520
2021	555,000	38,311
2022	320,000	25,508
2023-2026	970,000	42,248
Total	<u>\$4,535,000</u>	<u>308,438</u>

### Installment Purchase Agreement

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 (FBO) 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. Principal payments under the agreement for the year ended June 30, 2017 totaled \$10,000, resulting in an unpaid principal balance of \$50,000 at June 30, 2017.

#### **(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 7401 Register Drive, 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. 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$138,529.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$672,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the City's proportion was 0.010692%, which was an increase of 0.001872% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$131,317, \$183,586 and \$175,759, respectively.

There were no non-employer contributing entities to IPERS.



Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,419,905	672,872	42,793

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. There are 31 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$478 for single coverage, \$979 for employee and spouse coverage, \$905 for employee and children coverage and \$1,467 for family coverage. For the year ended June 30, 2017, the City contributed \$185,583 and plan members eligible for benefits contributed \$24,277 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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, 2017, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 47,000
Compensatory time	2,000
Holiday	3,000
Total	<u>\$ 52,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(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	2,500	5,000

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 (\$10 for generic or \$20 for name brand prescriptions).

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 2029. 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 \$3,767,666. The total amount rebated and granted during the year ended June 30, 2017 was \$154,145. The total cumulative amount rebated and granted since inception of the existing agreements is \$852,372. 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, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 29,002
Debt Service	Special Revenue:	
	Tax Increment Financing	517,436
	Enterprise:	
	Water	106,599
	Sewer	160,913
		<u>784,948</u>
Capital Projects	General	167,152
Total		<u>\$ 981,102</u>

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

**(11) Employee Health Insurance Plan**

The City established the Internal Service, Self Insurance Fund to account for the partial self-funding of the City’s health insurance benefit plan. The plan is funded by City contributions and is administered by the City. The City assumes liability for claims between \$500 and \$3,000 for single coverage and \$1,000 and \$6,000 for family coverage. Claims in excess of the deductible are insured through the purchase of insurance.

Payments to the Internal Service, Self Insurance Fund are recorded as disbursements by the operating funds. Payments to employees for medical claims for the year ended June 30, 2017 totaled \$17,246.

**(12) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$227,397 during the year ended June 30, 2017.

**(13) Construction Commitments**

The City entered into construction contracts totaling \$2,476,003 for various street, airport and water projects. As of June 30, 2017, costs of \$835,538 had been paid on the contracts. The remaining \$1,640,465 will be paid as work on these projects progresses.

**(14) 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, 2017, active loans had an outstanding balance of \$3,728.

**(15) 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, 2017, the City abated \$57,013 of property tax under the urban renewal and economic development projects.

**(16) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements about the City's tax abatements which impact the City.

**(17) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

**City of Monticello**

## **Other Information**

City of Monticello

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,614,852	-	-
Tax increment financing	687,017	-	-
Other city tax	381,410	-	-
Licenses and permits	240,231	-	-
Use of money and property	219,114	10,995	20
Intergovernmental	984,472	241,722	-
Charges for service	378,155	1,506,398	-
Special assessments	8,625	8,555	-
Miscellaneous	345,414	32,876	106,319
<b>Total receipts</b>	<b>4,859,290</b>	<b>1,800,546</b>	<b>106,339</b>
<b>Disbursements:</b>			
Public safety	1,264,186	-	4,064
Public works	513,294	-	-
Culture and recreation	709,030	-	101,283
Community and economic development	154,145	-	-
General government	388,120	-	-
Debt service	1,080,718	-	-
Capital projects	1,427,765	-	-
Business type activities	-	1,444,691	-
<b>Total disbursements</b>	<b>5,537,258</b>	<b>1,444,691</b>	<b>105,347</b>
Excess (deficiency) of receipts over (under) disbursements	(677,968)	355,855	992
Other financing sources (uses), net	303,980	(267,512)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(373,988)	88,343	992
Balances beginning of year	3,985,389	747,945	71,537
Balances end of year	<b>\$ 3,611,401</b>	<b>836,288</b>	<b>72,529</b>

See accompanying independent auditor's report.



Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,614,852	1,614,715	1,614,715	137
687,017	700,000	700,000	(12,983)
381,410	374,833	366,833	14,577
240,231	245,300	246,378	(6,147)
230,089	207,190	210,940	19,149
1,226,194	1,785,091	1,171,714	54,480
1,884,553	2,106,421	1,960,071	(75,518)
17,180	-	6,502	10,678
271,971	193,702	295,985	(24,014)
6,553,497	7,227,252	6,573,138	(19,641)
1,260,122	1,317,169	1,366,980	106,858
513,294	636,498	700,747	187,453
607,747	757,094	736,485	128,738
154,145	170,898	167,212	13,067
388,120	474,702	514,976	126,856
1,080,718	1,089,787	1,093,932	13,214
1,427,765	2,951,187	2,119,832	692,067
1,444,691	1,581,221	1,938,132	493,441
6,876,602	8,978,556	8,638,296	1,761,694
(323,105)	(1,751,304)	(2,065,158)	1,742,053
36,468	1,661,449	361,470	(325,002)
(286,637)	(89,855)	(1,703,688)	1,417,051
4,661,797	3,417,618	4,661,754	43
4,375,160	3,327,763	2,958,066	1,417,094

City of Monticello

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 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, one budget amendment decreased budgeted disbursements by \$340,260. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted.

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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 Three Years\*  
(In Thousands)

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.010692%	0.008820%	0.007086%
City's proportionate share of the net pension liability	\$ 673	436	281
City's covered-employee payroll	\$ 1,386	1,400	1,381
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.56%	31.14%	20.35%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

\* 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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City of Monticello

Schedule of City Contributions

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

Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 139	130	133	131
Contributions in relation to the statutorily required contribution	<u>(139)</u>	<u>(130)</u>	<u>(133)</u>	<u>(131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,481	1,386	1,400	1,381
Contributions as a percentage of covered-employee payroll	9.39%	9.38%	9.50%	9.49%

\*City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered-employee payroll could not be calculated.

See accompanying independent auditor's report.

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2013	2012	2011	2010	2009	2008
126	116	107	97	104	75
(126)	(116)	(107)	(97)	(104)	(75)
-	-	-	-	-	-
1,331	1,296	1,283	1,229	1,345	*
9.47%	8.95%	8.34%	7.89%	7.73%	*

City of Monticello

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- 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.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## **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, 2017

				Special
				Monticello
	Police	Slavka	Riverside	Emergency
	Forfeiture	Gehret	Gardeners,	Medical
		Trust	Inc.	Team
Receipts:				
Use of money and property	\$ 3	2,489	9	11
Miscellaneous	-	-	5,300	11,151
Total receipts	3	2,489	5,309	11,162
Disbursements:				
Operating:				
Public safety	266	-	-	4,064
Culture and recreation	-	3,150	13,367	-
Total disbursements	266	3,150	13,367	4,064
Change in cash balances	(263)	(661)	(8,058)	7,098
Cash balances beginning of year	921	204,885	13,134	21,056
Cash balances end of year	\$ 658	204,224	5,076	28,154
<b>Cash Basis Fund Balances</b>				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Library purposes	-	204,224	-	-
Other purposes	658	-	5,076	28,154
Total cash basis fund balances	\$ 658	204,224	5,076	28,154

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
-	-	-	498	1,038	4,048
6,755	83,113	3,153	-	993	110,465
6,755	83,113	3,153	498	2,031	114,513
-	-	-	-	-	4,330
6,027	81,889	-	500	1,997	106,930
6,027	81,889	-	500	1,997	111,260
728	1,224	3,153	(2)	34	3,253
5,937	31,410	155,783	40,964	86,124	560,214
6,665	32,634	158,936	40,962	86,158	563,467
-	-	158,936	40,962	86,158	286,056
6,665	-	-	-	-	210,889
-	32,634	-	-	-	66,522
6,665	32,634	158,936	40,962	86,158	563,467

City of Monticello  
 Schedule of Indebtedness  
 Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Refunding	Jun 1, 2010	1.00-3.60%	\$ 1,310,000
General corporate purpose	Jul 6, 2011	0.70-2.35	1,145,000
General corporate purpose	Jun 28, 2012	0.35-1.25	720,000
General corporate purpose	Oct 21, 2014	2.00-2.75	1,595,000
Corporate purpose and refunding	May 17, 2016	0.75-2.00	2,640,000
Total			
Installment purchase agreement:			
Building	Apr 25, 2011	4.00%	\$ 110,000

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
650,000	-	120,000	530,000	21,665
525,000	-	170,000	355,000	10,965
300,000	-	100,000	200,000	3,100
1,400,000	-	120,000	1,280,000	31,875
2,640,000	-	470,000	2,170,000	30,613
<u>\$ 5,515,000</u>	-	980,000	4,535,000	98,218
<u>\$ 60,000</u>	-	10,000	50,000	2,407

City of Monticello

Bond Maturities

June 30, 2017

Year Ending June 30,	General Obligation Bonds					
	Refunding		General Corporate Purpose		General Corporate Purpose	
	Issued June 1, 2010	Issued July 6, 2011	Issued June 28, 2012	Interest	Interest	Interest
	Rates	Amount	Rates	Amount	Rates	Amount
2018	3.20%	\$ 125,000	2.10%	\$ 175,000	1.00%	\$ 100,000
2019	3.40	130,000	2.35	180,000	1.25	100,000
2020	3.50	135,000		-		-
2021	3.60	140,000		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
Total		<u>\$ 530,000</u>		<u>\$ 355,000</u>		<u>\$ 200,000</u>

See accompanying independent auditor's report.

<u>General Corporate Purpose</u>		<u>General Corporate Purpose and Refunding</u>		
<u>Issued Oct 21, 2014</u>		<u>Issued May 17, 2016</u>		
Interest		Interest		
Rates	Amount	Rates	Amount	Total
2.00%	\$ 120,000	0.85%	\$ 540,000	1,060,000
2.00	120,000	0.95	555,000	1,085,000
2.25	265,000	1.05	145,000	545,000
2.25	265,000	1.20	150,000	555,000
2.25	170,000	1.30	150,000	320,000
2.50	170,000	1.45	155,000	325,000
2.75	170,000	1.60	155,000	325,000
	-	1.80	160,000	160,000
	-	2.00	160,000	160,000
	<u>\$ 1,280,000</u>		<u>\$ 2,170,000</u>	<u>\$ 4,535,000</u>

City of Monticello

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

For the Last Ten Years

	2017	2016	2015	2014
<b>Receipts:</b>				
Property tax	\$ 1,614,852	1,507,823	1,418,243	1,359,156
Tax increment financing	687,017	697,082	705,038	707,631
Other city tax	381,410	364,168	378,272	589,325
Licenses and permits	240,231	236,417	257,563	23,739
Use of money and property	219,114	211,953	199,545	182,975
Intergovernmental	984,472	656,846	613,988	1,785,111
Charges for service	378,155	421,657	442,108	513,066
Special assessments	8,625	10,245	8,841	25,545
Miscellaneous	345,414	322,355	593,478	496,566
<b>Total</b>	<b>\$ 4,859,290</b>	<b>4,428,546</b>	<b>4,617,076</b>	<b>5,683,114</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,264,186	1,301,333	1,314,857	1,314,483
Public works	513,294	505,104	472,415	567,227
Culture and recreation	709,030	684,872	650,097	714,327
Community and economic development	154,145	160,185	138,630	115,893
General government	388,120	447,938	425,395	437,104
Debt service	1,080,718	978,276	1,031,717	1,186,490
Capital projects	1,427,765	1,578,911	777,768	1,719,321
<b>Total</b>	<b>\$ 5,537,258</b>	<b>5,656,619</b>	<b>4,810,879</b>	<b>6,054,845</b>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
1,207,353	1,196,924	1,106,176	1,068,538	1,052,215	1,031,036
954,563	715,234	875,293	812,590	776,551	736,987
576,648	539,455	557,125	543,522	538,075	550,145
15,898	12,521	11,904	16,337	14,183	13,726
195,688	169,191	158,905	164,893	165,836	253,147
860,934	1,148,043	841,758	533,704	538,671	845,758
538,875	581,031	587,068	534,278	532,065	476,301
33,067	32,125	18,767	8,225	12,883	7,383
398,060	548,260	332,503	172,524	155,072	281,784
4,781,086	4,942,784	4,489,499	3,854,611	3,785,551	4,196,267
1,554,299	1,418,347	1,259,332	1,134,151	1,395,211	1,248,907
523,740	476,325	649,183	482,589	507,485	459,982
565,742	575,555	547,686	543,433	582,056	549,814
143,022	75,855	47,860	26,100	4,739	-
437,900	430,613	383,658	354,843	347,772	368,391
1,128,656	1,317,865	1,137,119	1,074,569	2,062,841	1,329,544
1,716,184	1,848,696	519,204	2,782,615	1,188,083	532,482
6,069,543	6,143,256	4,544,042	6,398,300	6,088,187	4,489,120

**City of Monticello**





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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 16, 2018. 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 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 deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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 (C) and (D) 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, 2017 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.



MARY MOSIMAN, CPA  
Auditor of State

May 16, 2018

City of Monticello

Schedule of Findings

Year ended June 30, 2017

**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 financial statements.

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

- |   |   |
|---|---|
| (1) Investing – recordkeeping, investing, custody of investments and reconciling earnings.  | City  |
| (2) Receipts – collecting, depositing, posting and reconciling.   | City<br>Riverside Gardeners<br>Youth Baseball and Softball Association<br>Friends of the Library<br>Monticello Firefighter's Organization |
| (3) Utility Receipts – Utility rates are not tested to ensure proper calculations. The accounts receivable listing is not segregated from collections and records positing.   | City  |
| (4) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements, handling cash, and reconciling. | Friends of the Library<br>Monticello Firefighter's Organization   |

Cause – The City, Riverside Gardeners, Youth Baseball and Softball Association, Friends of the Library, and Monticello Firefighter's Organization have a limited number of employees 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 Riverside Gardeners, Youth Baseball and Softball Association, Friends of the Library, and Monticello Firefighter's Organizations' 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, 2017

Recommendation – The City, Riverside Gardeners, Youth Baseball and Softball Association, Friends of the Library, and Monticello Firefighter’s Organization should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, 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 will communicate this recommendation to those entities identified within the recommendation and offer to assist them with improved procedures.

Conclusion – Response accepted.

(B) Service Organization

Criteria – A deficiency in internal control over service organization receipts 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. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial records.

Condition – The City contracts with an outside company to bill ambulance receipts. The ambulance receipts are collected by the City. A reconciliation of billings, collections and receivable balances is not prepared.

Cause – City policies do not require and procedures have not been established to require reconciliation of billings, collections and accounts receivable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The City should implement procedures to ensure reconciliation of billings, collections and accounts received is prepared monthly.

Response – Based upon the recommendations received during the audit, City staff immediately instituted a process to reconcile the monthly billing/collection/accounts receivables based upon records and information received from the City’s Ambulance billing company, PCC and City ambulance receipts.

Conclusion – Response accepted.

(C) Computer System Policies

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

City of Monticello

Schedule of Findings

Year ended June 30, 2017

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 log-ins/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.

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 on 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.
- 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.

City of Monticello

Schedule of Findings

Year ended June 30, 2017

Recommendation – A written disaster recovery plan should be developed.

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Savor the Barn	Wine for public book club series held by the Library	\$ 79

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – The City generally does not support the purchase of alcoholic beverages, however, in this instance the Library Board supported the provision of wine, as one of the beverages, made available during an adult book club event. The Library Director and Board will be made aware of the Auditor’s comment on this disbursement and additional steps to consider the public purpose will be taken in the future before such a disbursement is made.

Conclusion – Response accepted

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

City of Monticello

Schedule of Findings

Year ended June 30, 2017

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

Name, Title and Business Connection	Transaction Description	Amount
Doug Monck, Ambulance Advisory Board Member, employee of Monticello Machine Shop	Services and supplies, other departments	\$ 2,728
Dave Savage, Airport Advisory Board Member, owner of Insurance Associates, Inc.	Insurance	153,936
Kim Brooks, Library Board Member, employee of Monticello Express	Services and supplies: Library	320
	Other departments	11,749
Paul Elmegreen, Airport Manager, owner of Monticello Aviation, Inc.	Building purchase, services and supplies	23,063
Dave McNeill, Volunteer for Ambulance	Hardware supplies	620
Katie Farrowe, Park Board Member, owner of Jitney Wine Bar	Services and supplies	83
Dennis Gray, Soldiers Memorial Board Member	Keys and services	938
Brian Woken, Council Member, employee of 151 Landscape	Services	28,503
Johnny Russ, Council Member, employee of Spahn and Rose Lumber Company	Supplies	5,457
Total		<u>\$ 227,397</u>

The transactions with Dave McNeill, Jitney Wine Bar, Dennis Gray, 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 \$1,500.

In accordance with Chapter 362.5(3)(e) of the Code of Iowa, the transactions with Monticello Machine Shop and Monticello Express for other departments and Insurance Associates, Inc. do not represent conflicts of interest since the Board Members are not directly affected as a result of the contracts and the duties of city employment do not directly involve procurement or preparation of any part of the contracts.

The remaining transactions with Monticello Aviation, Inc., 151 Landscape and Spahn and Rose Lumber Company may represent conflicts of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions with each exceed \$1,500 during the fiscal year and the transactions were not competitively bid.



City of Monticello

Schedule of Findings

Year ended June 30, 2017

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

Response – Further review of all noted transactions has occurred. It is the position of the City that these transactions were 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 dealings 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) 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.
- (6) 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 collection 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 accepted.

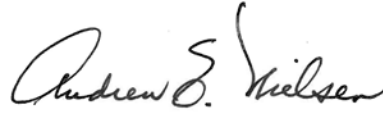
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Annual Urban Renewal Report (AURR) – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 as required.

City of Monticello

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Jesse J. Harthan, Senior Auditor II  
Edward J. Schroder, Assistant Auditor  
Sarah M. Schwind, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State