



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

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NEWS RELEASE

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FOR RELEASE _____ March 22, 2019

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

The City's receipts totaled \$7,413,375 for the year ended June 30, 2018, a 10.7% increase over the prior year. The receipts included \$1,725,469 in property tax, \$2,240,927 from charges for service, \$821,829 from operating grants, contributions and restricted interest, \$1,224,970 from capital grants, contributions and restricted interest, \$677,167 from tax increment financing, \$303,276 from local option sales tax, \$240,581 from utility franchise tax, \$66,468 from commercial/industrial tax replacement, \$49,219 from unrestricted interest on investments and \$63,469 from other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$8,126,840, a 16.4% increase over the prior year, and included \$2,007,692 for capital projects, \$1,406,420 for public safety and \$1,146,258 for debt service. Also, disbursements for business type activities totaled \$1,743,912.

The significant increase in receipts and disbursements is due primarily to grants received for street, bridge and airport projects.

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

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CITY OF MONTICELLO

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

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City of Monticello

Officials

(Before January 2018)

<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

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Wolken	Mayor	Jan 2020
Johnny Russ	Mayor Pro tem	Jan 2022
Chris Lux	Council Member	Jan 2020
Rob Paulson	Council Member	Jan 2020
Brian Wolken	Council Member	(Resigned Jan 2018)
Gary Pratt (Appointed Feb 2018)	Council Member	Nov 2018
Dave Goedken	Council Member	Jan 2022
Tom Yeoman	Council Member	Jan 2022
Douglas Herman	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Anne E. Loomis	Attorney	Indefinite

City of Monticello



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Monticello, Iowa, as of and for the year ended June 30, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in Note 5 to the financial statements, the City of Monticello adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. 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, 2017 (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 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 9 through 17 and 40 through 46, 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 March 19, 2019 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.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large, looped "R" and "S".

ROB SAND
Auditor of State

March 19, 2019

City of Monticello

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 19.6%, or approximately \$960,000, from fiscal year 2017 to fiscal year 2018. During the fiscal year ended June 30, 2018, the City received approximately \$873,000 more in capital grants, contributions and restricted interest.
- Disbursements of the City's governmental activities increased 15.3%, or approximately \$846,000. The City disbursed approximately \$580,000 more during the current year for capital projects.
- The City's total cash basis net position decreased approximately \$714,000. Of this amount, the cash basis net position of the governmental activities decreased approximately \$198,000 and the cash basis net position of the business type activities decreased approximately \$516,000.

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

BASIS OF ACCOUNTING

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

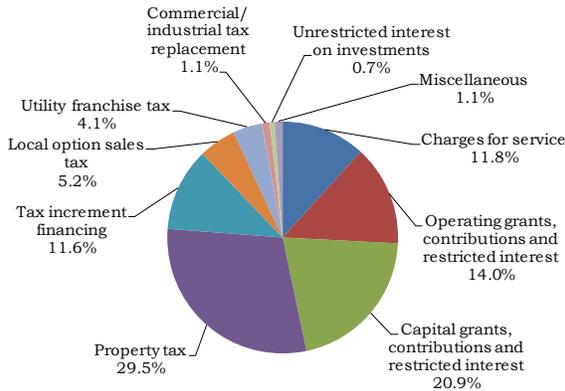
The required financial statement for the Fiduciary Fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

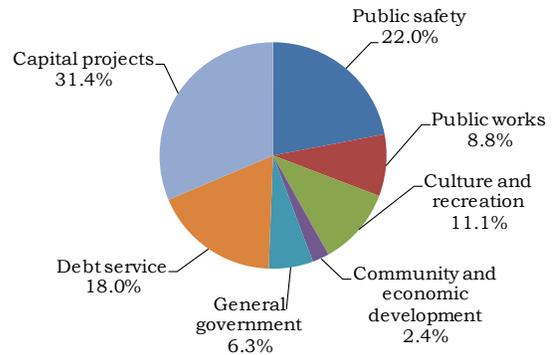
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from approximately \$3.6 million to approximately \$3.4 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 691,441	622,415
Operating grants, contributions and restricted interest	821,829	859,451
Capital grants, contributions and restricted interest	1,224,970	351,807
General receipts:		
Property tax	1,725,469	1,661,270
Tax increment financing	677,167	687,017
Local option sales tax	303,276	321,671
Utility franchise tax	240,581	227,478
Commercial/industrial tax replacement	66,468	64,694
Unrestricted interest on investments	40,768	48,129
Miscellaneous	63,469	51,826
Total receipts	<u>5,855,438</u>	<u>4,895,758</u>
Disbursements:		
Public safety	1,406,420	1,264,186
Public works	560,099	513,294
Culture and recreation	707,194	709,030
Community and economic development	152,717	154,145
General government	402,548	388,120
Debt service	1,146,258	1,080,718
Capital projects	<u>2,007,692</u>	<u>1,427,765</u>
Total disbursements	<u>6,382,928</u>	<u>5,537,258</u>
Change in cash basis net position before transfers	(527,490)	(641,500)
Transfers, net	<u>329,653</u>	<u>267,512</u>
Change in cash basis net position	(197,837)	(373,988)
Cash basis net position beginning of year	<u>3,611,401</u>	<u>3,985,389</u>
Cash basis net position end of year	<u>\$ 3,413,564</u>	<u>\$ 3,611,401</u>

Receipts by Source



Disbursements by Function



Receipts of the City's governmental activities increased 19.6%, or approximately \$960,000, from fiscal year 2017 to fiscal year 2018. During the fiscal year ended June 30, 2018, the City received \$873,000 more in capital grants, contributions and restricted interest, including airport and bridge grants.

The cost of all governmental activities this year was approximately \$6,383,000 compared to approximately \$5,537,000 in the prior year. The City disbursed \$580,000 more during the current year for capital projects.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 462,119	450,591
Sewer	617,571	634,806
Sanitation	469,796	462,432
Operating grants, contributions and restricted interest	-	241,722
General receipts:		
Unrestricted interest on investments	8,451	10,995
Total receipts	<u>1,557,937</u>	<u>1,800,546</u>
Disbursements:		
Water	807,616	289,724
Sewer	458,542	649,287
Sanitation	477,754	505,680
Total disbursements	<u>1,743,912</u>	<u>1,444,691</u>
Change in cash basis net position before transfers	(185,975)	355,855
Transfers, net	<u>(329,653)</u>	<u>(267,512)</u>
Change in cash basis net position	(515,628)	88,343
Cash basis net position beginning of year	836,288	747,945
Cash basis net position end of year	<u>\$ 320,660</u>	<u>836,288</u>

Total business type activities receipts for the fiscal year were approximately \$1,558,000 compared to approximately \$1,801,000 last year, a 13.5% decrease. The decrease in receipts was due primarily to FEMA dollars received in the prior year. Total disbursements for the fiscal year increased to approximately \$1,744,000 compared to approximately \$1,445,000 last year, an increase of 20.7%. The increase in disbursements was due primarily to more capital project disbursements in the current year for street, bridge and airport projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Monticello completed the year, its governmental funds reported a combined fund balance of \$3,413,564, a decrease of \$197,837 from last year's total of \$3,611,401. The following are the major reasons for the changes in fund balances of the major funds.

- The General Fund cash balance increased \$312,971 over the prior year to \$1,435,538. Receipts increased approximately \$176,000, or 7.2%, and disbursements increased approximately \$192,000, or 9.4%.
- The Special Revenue, Tax Increment Financing (TIF) Fund cash balance increased \$8,890 over the prior year to \$240,279. Disbursements for developer agreements decreased in the current year and transfers to the Debt Service Fund for payment of TIF debt increased in the current year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$127,124 over the prior year to \$648,251. Road use tax receipts increased \$13,083. Disbursements increased \$1,429 over the prior year to \$357,208.
- The Special Revenue, Employee Benefits Fund cash balance increased \$19,573 over the prior year to \$391,100. Receipts decreased \$24,220 from the prior year and disbursements increased \$34,484 over the prior year.
- The Debt Service Fund cash balance increased \$14,686 over the previous year to \$70,020. Receipts and disbursements increased \$58,306 and \$65,540, respectively, over the prior year.
- The Capital Projects Fund cash balance decreased \$707,770 from the prior year to \$38,220. The decrease was primarily due to disbursements for capital projects including street, bridge and airport projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$407,766 to \$105,184. Operating receipts remained consistent with the prior year and disbursements increased \$517,692 due to a water tower painting project in the current year.
- The Enterprise, Sewer Fund cash balance decreased \$102,143 to \$53,380. Operating receipts decreased \$15,809 and disbursements decreased \$190,745 due to fewer equipment repairs and capital outlay.
- The Enterprise, Sanitation Fund cash balance decreased \$5,719 to \$162,096. Operating receipts increased \$7,364 and operating disbursements decreased \$27,926 due to fewer salaries in the current year.

BUDGETARY HIGHLIGHTS

During the year, the City of Monticello amended its budget once. The amendment was adopted on March 5, 2018 and resulted in decreases in budgeted receipts and increases in budgeted disbursements. The amendment increased receipts for receiving a grant for rescue breathing equipment, insurance reimbursements for hail damage, squad car and stop light and library donations 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, rescue breathing equipment, stop light repairs, hail damage repairs, public works van, horse shoe pit fencing, Oak street water main repairs, South Street and Main Street projects and water tower painting.

The City's receipts were \$295,028 less than budgeted and total disbursements were \$1,012,505 less than the amended budget. Actual disbursements for the public works, capital projects and business type activities functions were \$265,744, \$292,403 and \$101,162, respectively, less than the amended budget primarily due to delayed projects.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$3,515,000 of bonds and other long-term debt outstanding, compared to \$4,585,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2018	2017
General obligation bonds	\$ 3,475,000	4,535,000
Installment purchase agreement	40,000	50,000
Total	<u>\$ 3,515,000</u>	<u>4,585,000</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 \$3,828,008, including \$313,008 for developer agreements, is below its constitutional debt limit of approximately \$11.2 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. Every year the budget season begins with a discussion of historical tax rates, potential levies available for Council consideration and approval or by referendum, as well as a review of City debt including existing debt, debt capacity, available debt capacity, and upcoming debt obligations. 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, and in addition to a discussion of outstanding debt, the Council also reviews upcoming capital projects, assessed and taxable valuations, and the tax levy rate necessary to meet the budgetary desires of the Council. After a complete review of the draft budget, debt, levy rates, and other matters set forth above the City Administrator is given direction by the City Council with regard to final budget preparation.

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 generally more limited and, to a great extent, out of our control. This does not mean additional revenue streams are not considered and pursued when possible. For example, the City has seen increased revenues associated with tower rental lease agreements, both tied to increases in rates and new tenants, and hangar rental agreements primarily tied to new hangar space at the Monticello Airport. In addition to those "new" or increased revenue streams the fees charged by various departments, primarily Park and Recreation, have been adjusted over the years to cover increasing costs. 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. Due to decisions made in the last 10-12 years the City has realized substantial savings in the categories of insurance, both property/casualty/liability and health 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 tied directly to the debt obligations and scheduled payments to be made by the City during the coming year from the debt service levy. In recent years the City Council has approached the budget season with a goal of maintaining a relatively consistent tax rate. To that end the City Council has approved budgets for the following years that resulted in the levy rates shown:

Fiscal Year	
Combined Tax Rate	City of Monticello
2015	\$ 13.86994
2016	13.86898
2017	13.86898
2018	13.86897
2019	13.86894

Staff and the City Council track existing debt obligations and strive to only take on new debt when that new debt, and the levy related thereto, will not increase the overall City tax rate, or if it will, find a way to offset that increase with a reduction in another levy, often by the use of cash on hand for a year or two until such time as the levy related to the new debt drops to or below the debt levy that pre-existed said new debt. 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 provided to the employees. By self-funding the difference of \$2,500 per employee, and self-funding a portion of co-pays and other costs, we have realized significant premium savings, generally in excess of 20% 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 levy rate, we are estimating as best we can what the employee benefits expenses will be in the coming year and basing the proposed levy 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 expense. Each year we look closely at multiple options related to health insurance and have seen annual increases from near 0% to as high as 24%, with most years being less than 10%.

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.

During fiscal year 2018, the City moved forward with or finalized many capital improvements and was involved in many other significant projects and initiatives:

- 1) Moved forward with the E. 1st 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 6th Street Ditch Project which is anticipated to begin in the fall of 2019 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 2019.
- 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) Finalized the E. South Street reconstruction project and S. Main Street Rehabilitation project, a joint City and Iowa DOT project.
- 8) Completed the “old” water tower rehabilitation and repainting project.
- 9) Worked with Orbis Mfg. to ensure the installation of appropriate private and public improvements associated with their construction of a 100,000 square foot addition to their facility.

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. 1st 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, 2018

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,406,420	331,295	176,384	117,133
Public works	560,099	121,506	497,522	-
Culture and recreation	707,194	150,116	132,989	-
Community and economic development	152,717	-	-	-
General government	402,548	87,924	975	-
Debt service	1,146,258	-	2,072	-
Capital projects	2,007,692	600	11,887	1,107,837
Total governmental activities	6,382,928	691,441	821,829	1,224,970
Business type activities:				
Water	807,616	462,119	-	-
Sewer	458,542	617,571	-	-
Sanitation	477,754	469,796	-	-
Total business type activities	1,743,912	1,549,486	-	-
Total primary government	\$ 8,126,840	2,240,927	821,829	1,224,970
Component Unit:				
Monticello Firefighter's Organization	\$ 45,841	-	63,104	-
General Receipts and Transfers:				
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				
Cash Basis Net Position				
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				
Total cash basis net position				
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
(781,608)	-	(781,608)	
58,929	-	58,929	
(424,089)	-	(424,089)	
(152,717)	-	(152,717)	
(313,649)	-	(313,649)	
(1,144,186)	-	(1,144,186)	
(887,368)	-	(887,368)	
(3,644,688)	-	(3,644,688)	
-	(345,497)	(345,497)	
-	159,029	159,029	
-	(7,958)	(7,958)	
-	(194,426)	(194,426)	
(3,644,688)	(194,426)	(3,839,114)	
			17,263
1,369,132	-	1,369,132	-
356,337	-	356,337	-
677,167	-	677,167	-
303,276	-	303,276	-
17,476	-	17,476	-
240,581	-	240,581	-
66,468	-	66,468	-
40,768	8,451	49,219	4,246
1,355	-	1,355	-
44,638	-	44,638	-
329,653	(329,653)	-	-
3,446,851	(321,202)	3,125,649	4,246
(197,837)	(515,628)	(713,465)	21,509
3,611,401	836,288	4,447,689	227,557
\$ 3,413,564	320,660	3,734,224	249,066
\$ 288,727	-	288,727	-
648,251	-	648,251	-
310,299	-	310,299	-
252,709	-	252,709	-
-	90,300	90,300	-
391,100	-	391,100	-
-	-	-	249,066
38,220	-	38,220	-
-	64,017	64,017	-
130,103	-	130,103	-
1,354,155	166,343	1,520,498	-
\$ 3,413,564	320,660	3,734,224	249,066

City of Monticello

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

As of and for the year ended June 30, 2018

	Special Revenue		
	General	Tax Increment Financing	Road Use Tax
Receipts:			
Property tax	\$ 948,523	-	-
Tax increment financing	-	677,167	-
Other city tax	349,963	-	-
Licenses and permits	255,977	-	-
Use of money and property	203,481	5,555	-
Intergovernmental	255,886	-	484,332
Charges for service	419,282	-	-
Special assessments	-	-	-
Miscellaneous	196,997	-	-
Total receipts	<u>2,630,109</u>	<u>682,722</u>	<u>484,332</u>
Disbursements:			
Operating:			
Public safety	1,177,489	-	-
Public works	161,505	-	357,208
Culture and recreation	544,348	-	-
Community and economic development	-	152,717	-
General government	358,646	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,241,988</u>	<u>152,717</u>	<u>357,208</u>
Excess (deficiency) of receipts over (under) disbursements	<u>388,121</u>	<u>530,005</u>	<u>127,124</u>
Other financing sources (uses):			
Sale of property	1,355	-	-
Transfers in	-	-	-
Transfers out	(76,505)	(521,115)	-
Total other financing sources (uses)	<u>(75,150)</u>	<u>(521,115)</u>	<u>-</u>
Change in cash balances	312,971	8,890	127,124
Cash balances beginning of year	<u>1,122,567</u>	<u>231,389</u>	<u>521,127</u>
Cash balances end of year	<u>\$ 1,435,538</u>	<u>240,279</u>	<u>648,251</u>
Cash Basis Fund Balances			
Nonspendable - Permanent Funds	\$ -	-	-
Restricted for:			
Streets	-	-	648,251
Debt service	-	240,279	-
Library purposes	41,796	-	-
Employee benefits	-	-	-
Capital projects	-	-	-
Other purposes	39,587	-	-
Assigned for:			
Capital equipment	103,237	-	-
Unassigned	<u>1,250,918</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,435,538</u>	<u>240,279</u>	<u>648,251</u>

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
379,634	347,297	-	-	1,675,454
-	-	-	-	677,167
11,764	9,040	-	-	370,767
-	-	600	-	256,577
4,905	2,072	6,221	4,786	227,020
15,631	12,017	1,074,643	-	1,842,509
-	-	-	-	419,282
-	-	28,750	-	28,750
-	-	52,953	106,607	356,557
411,934	370,426	1,163,167	111,393	5,854,083
217,638	-	-	11,293	1,406,420
41,386	-	-	-	560,099
89,435	-	-	73,411	707,194
-	-	-	-	152,717
43,902	-	-	-	402,548
-	1,146,258	-	-	1,146,258
-	-	2,007,692	-	2,007,692
392,361	1,146,258	2,007,692	84,704	6,382,928
19,573	(775,832)	(844,525)	26,689	(528,845)
-	-	-	-	1,355
-	790,518	176,505	-	967,023
-	-	(39,750)	-	(637,370)
-	790,518	136,755	-	331,008
19,573	14,686	(707,770)	26,689	(197,837)
371,527	55,334	745,990	563,467	3,611,401
391,100	70,020	38,220	590,156	3,413,564
-	-	-	288,727	288,727
-	-	-	-	648,251
-	70,020	-	-	310,299
-	-	-	210,913	252,709
391,100	-	-	-	391,100
-	-	38,220	-	38,220
-	-	-	90,516	130,103
-	-	-	-	103,237
-	-	-	-	1,250,918
391,100	70,020	38,220	590,156	3,413,564

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, 2018

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Self Insurance
Operating receipts:					
Charges for service	\$ 443,509	605,760	467,623	1,516,892	25,478
Miscellaneous	18,610	4,682	2,173	25,465	-
Total operating receipts	462,119	610,442	469,796	1,542,357	25,478
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	5,690
Public works	-	-	-	-	2,078
Culture and recreation	-	-	-	-	2,081
General government	-	-	-	-	5,208
Business type activities	375,219	288,367	477,754	1,141,340	10,421
Total operating disbursements	375,219	288,367	477,754	1,141,340	25,478
Excess (deficiency) of operating receipts over (under) operating disbursements	86,900	322,075	(7,958)	401,017	-
Non-operating receipts (disbursements):					
Interest on investments	3,234	2,978	2,239	8,451	-
Special assessments	-	7,129	-	7,129	-
Capital outlay	(432,397)	(170,175)	-	(602,572)	-
Net non-operating receipts (disbursements)	(429,163)	(160,068)	2,239	(586,992)	-
Excess (deficiency) of receipts over (under) disbursements	(342,263)	162,007	(5,719)	(185,975)	-
Transfers in	39,750	-	-	39,750	-
Transfers out	(105,253)	(264,150)	-	(369,403)	-
Total transfers	(65,503)	(264,150)	-	(329,653)	-
Change in cash balances	(407,766)	(102,143)	(5,719)	(515,628)	-
Cash balances beginning of year	512,950	155,523	167,815	836,288	-
Cash balances end of year	\$ 105,184	53,380	162,096	320,660	-
Cash Basis Fund Balances					
Restricted for:					
Customer deposits	\$ 90,300	-	-	90,300	-
Equipment set-aside	3,413	-	60,604	64,017	-
Unrestricted	11,471	53,380	101,492	166,343	-
Total cash basis fund balances	\$ 105,184	53,380	162,096	320,660	-

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, 2018

	<u>Agency</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ 2,096
Deductions:	
Medical reimbursements	<u>1,989</u>
Change in cash balance	107
Cash balance beginning of year	<u>670</u>
Cash balance end of year	<u>\$ 777</u>

See notes to financial statements.

City of Monticello

City of Monticello

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Blended Component Units

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

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

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

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jones County Assessor's Conference Board, 911 Joint Service Board and Emergency Management Agency. The City also participates in the Jones County Solid Waste Management Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/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 \$64,017 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, 2018 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
2019	\$ 1,085,000	68,093
2020	545,000	50,520
2021	555,000	38,311
2022	320,000	25,508
2023	325,000	19,733
2024-2026	645,000	22,515
Total	<u>\$ 3,475,000</u>	<u>224,680</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, 2018 totaled \$10,000, resulting in an unpaid principal balance of \$40,000 at June 30, 2018.

(4) Pension Plan

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

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 2018, 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, 2018 totaled \$139,947.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$739,269 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City's proportion was 0.011098%, which was an increase of 0.000406% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$163,288, \$473,847 and \$280,655, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,595,783	739,269	20,035

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.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$478 for single coverage to \$980 for family coverage. For the year ended June 30, 2018, the City contributed \$179,432 and plan members eligible for benefits contributed \$26,622 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2018, the following employees were covered by the benefit terms:

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

(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, 2018, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 57,000
Compensatory time	4,000
Holiday	2,000
Total	<u>\$ 63,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(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 \$3,508,909. The total amount rebated and granted during the year ended June 30, 2018 was \$152,717. The total cumulative amount rebated and granted since inception of the existing agreements is \$688,832. 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, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 521,115
	Enterprise:	
	Water	105,253
	Sewer	164,150
		<u>790,518</u>
Capital Projects	General	76,505
	Enterprise:	
	Sewer	100,000
		<u>176,505</u>
Water	Capital Projects	39,750
Total		<u>\$ 1,006,773</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, 2018 totaled \$25,478.

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$210,661 during the year ended June 30, 2018.

(13) Construction Commitments

The City entered into construction contracts totaling \$1,820,318 for various street, airport and water projects. As of June 30, 2018, costs of \$1,692,621 had been paid on the contracts. The remaining \$127,697 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, 2018, active loans had an outstanding balance of \$2,753.

(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, 2018, the City abated \$57,045 of property tax under the urban renewal and economic development agreements.

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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,675,454	-	-
Tax increment financing	677,167	-	-
Other city tax	370,767	-	-
Licenses and permits	256,577	-	-
Use of money and property	227,020	8,451	48
Intergovernmental	1,842,509	-	-
Charges for service	419,282	1,516,892	-
Special assessments	28,750	7,129	-
Miscellaneous	356,557	25,465	102,770
Total receipts	<u>5,854,083</u>	<u>1,557,937</u>	<u>102,818</u>
Disbursements:			
Public safety	1,406,420	-	11,053
Public works	560,099	-	-
Culture and recreation	707,194	-	67,806
Community and economic development	152,717	-	-
General government	402,548	-	-
Debt service	1,146,258	-	-
Capital projects	2,007,692	-	-
Business type activities	-	1,743,912	-
Total disbursements	<u>6,382,928</u>	<u>1,743,912</u>	<u>78,859</u>
Excess (deficiency) of receipts over (under) disbursements	(528,845)	(185,975)	23,959
Other financing sources (uses), net	<u>331,008</u>	<u>(329,653)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(197,837)	(515,628)	23,959
Balances beginning of year	<u>3,611,401</u>	<u>836,288</u>	<u>72,529</u>
Balances end of year	<u>\$ 3,413,564</u>	<u>320,660</u>	<u>96,488</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,675,454	1,681,919	1,681,919	(6,465)
677,167	700,000	700,000	(22,833)
370,767	373,727	373,727	(2,960)
256,577	239,850	240,150	16,427
235,423	206,962	210,142	25,281
1,842,509	2,681,158	2,067,001	(224,492)
1,936,174	2,011,761	2,012,261	(76,087)
35,879	7,130	31,777	4,102
279,252	140,010	287,253	(8,001)
<u>7,309,202</u>	<u>8,042,517</u>	<u>7,604,230</u>	<u>(295,028)</u>
1,395,367	1,341,163	1,528,017	132,650
560,099	773,820	825,843	265,744
639,388	860,678	759,623	120,235
152,717	136,409	163,651	10,934
402,548	486,722	491,922	89,374
1,146,258	1,146,261	1,146,261	3
2,007,692	1,993,232	2,300,095	292,403
1,743,912	1,680,634	1,845,074	101,162
<u>8,047,981</u>	<u>8,418,919</u>	<u>9,060,486</u>	<u>1,012,505</u>
(738,779)	(376,402)	(1,456,256)	717,477
<u>1,355</u>	<u>310,750</u>	<u>925</u>	<u>430</u>
(737,424)	(65,652)	(1,455,331)	717,907
<u>4,375,160</u>	<u>2,962,020</u>	<u>2,962,020</u>	<u>1,413,140</u>
<u>3,637,736</u>	<u>2,896,368</u>	<u>1,506,689</u>	<u>2,131,047</u>

City of Monticello

Notes to Other Information – Budgetary Reporting

June 30, 2018

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 increased budgeted disbursements by \$641,567. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

City of Monticello

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.011098%	0.010692%	0.008820%	0.007086%
City's proportionate share of the net pension liability	\$ 739	673	436	281
City's covered payroll	\$ 1,481	1,386	1,400	1,381
City's proportionate share of the net pension liability as a percentage of its covered payroll	49.90%	48.56%	31.14%	20.35%
IPERS' net position as a percentage of the total pension liability	82.21%	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.

City of Monticello

Schedule of City Contributions

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

Other Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 140	139	130	133
Contributions in relation to the statutorily required contribution	<u>(140)</u>	<u>(139)</u>	<u>(130)</u>	<u>(133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,496	1,481	1,386	1,400
Contributions as a percentage of covered payroll	9.36%	9.39%	9.38%	9.50%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
131	126	116	107	97	104
(131)	(126)	(116)	(107)	(97)	(104)
-	-	-	-	-	-
1,381	1,331	1,296	1,283	1,229	1,345
9.49%	9.47%	8.95%	8.34%	7.89%	7.73%

City of Monticello

Notes to Other Information – Pension Liability

Year ended June 30, 2018

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.

Changes of assumptions:

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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, 2015. 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, 2018

				Special
				Monticello
	Police	Slavka Gehret Trust	Riverside Gardeners, Inc.	Emergency Medical Team
	Forfeiture			
Receipts:				
Use of money and property	\$ 8	2,973	34	14
Miscellaneous	401	-	4,181	14,127
Total receipts	409	2,973	4,215	14,141
Disbursements:				
Operating:				
Public safety	240	-	-	11,053
Culture and recreation	-	3,083	4,310	-
Total disbursements	240	3,083	4,310	11,053
Change in cash balances	169	(110)	(95)	3,088
Cash balances beginning of year	658	204,224	5,076	28,154
Cash balances end of year	\$ 827	204,114	4,981	31,242
Cash Basis Fund Balances				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Library purposes	-	204,114	-	-
Other purposes	827	-	4,981	31,242
Total cash basis fund balances	\$ 827	204,114	4,981	31,242

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
-	-	-	595	1,162	4,786
4,672	79,790	3,436	-	-	106,607
4,672	79,790	3,436	595	1,162	111,393
-	-	-	-	-	11,293
4,538	58,958	-	553	1,969	73,411
4,538	58,958	-	553	1,969	84,704
134	20,832	3,436	42	(807)	26,689
6,665	32,634	158,936	40,962	86,158	563,467
6,799	53,466	162,372	41,004	85,351	590,156
-	-	162,372	41,004	85,351	288,727
6,799	-	-	-	-	210,913
-	53,466	-	-	-	90,516
6,799	53,466	162,372	41,004	85,351	590,156

City of Monticello
 Schedule of Indebtedness
 Year ended June 30, 2018

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.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
530,000	-	125,000	405,000	18,185
355,000	-	175,000	180,000	7,905
200,000	-	100,000	100,000	2,250
1,280,000	-	120,000	1,160,000	29,475
2,170,000	-	540,000	1,630,000	25,943
<u>\$ 4,535,000</u>	-	1,060,000	3,475,000	83,758
<u>\$ 50,000</u>	-	10,000	40,000	2,000

City of Monticello

Bond Maturities

June 30, 2018

Year Ending June 30,	General Obligation					
	Refunding		General Corporate Purpose		General Corporate Purpose	
	Issued June 1, 2010		Issued July 6, 2011		Issued June 28, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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>\$ 405,000</u>		<u>\$ 180,000</u>		<u>\$ 100,000</u>

See accompanying independent auditor's report.

 Bonds

General Corporate Purpose Issued Oct 21, 2014		General Corporate Purpose and Refunding Issued May 17, 2016		Total
Interest Rates	Amount	Interest Rates	Amount	
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>\$ 1,160,000</u>		<u>\$ 1,630,000</u>	<u>3,475,000</u>

City of Monticello

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

For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 1,675,454	1,614,852	1,507,823	1,418,243
Tax increment financing	677,167	687,017	697,082	705,038
Other city tax	370,767	381,410	364,168	378,272
Licenses and permits	256,577	240,231	236,417	257,563
Use of money and property	227,020	219,114	211,953	199,545
Intergovernmental	1,842,509	984,472	656,846	613,988
Charges for service	419,282	378,155	421,657	442,108
Special assessments	28,750	8,625	10,245	8,841
Miscellaneous	356,557	345,414	322,355	593,478
Total	\$ 5,854,083	4,859,290	4,428,546	4,617,076
Disbursements:				
Operating:				
Public safety	\$ 1,406,420	1,264,186	1,301,333	1,314,857
Public works	560,099	513,294	505,104	472,415
Culture and recreation	707,194	709,030	684,872	650,097
Community and economic development	152,717	154,145	160,185	138,630
General government	402,548	388,120	447,938	425,395
Debt service	1,146,258	1,080,718	978,276	1,031,717
Capital projects	2,007,692	1,427,765	1,578,911	777,768
Total	\$ 6,382,928	5,537,258	5,656,619	4,810,879

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
1,359,156	1,207,353	1,196,924	1,106,176	1,068,538	1,052,215
707,631	954,563	715,234	875,293	812,590	776,551
589,325	576,648	539,455	557,125	543,522	538,075
23,739	15,898	12,521	11,904	16,337	14,183
182,975	195,688	169,191	158,905	164,893	165,836
1,785,111	860,934	1,148,043	841,758	533,704	538,671
513,066	538,875	581,031	587,068	534,278	532,065
25,545	33,067	32,125	18,767	8,225	12,883
496,566	398,060	548,260	332,503	172,524	155,072
<u>5,683,114</u>	<u>4,781,086</u>	<u>4,942,784</u>	<u>4,489,499</u>	<u>3,854,611</u>	<u>3,785,551</u>
1,314,483	1,554,299	1,418,347	1,259,332	1,134,151	1,395,211
567,227	523,740	476,325	649,183	482,589	507,485
714,327	565,742	575,555	547,686	543,433	582,056
115,893	143,022	75,855	47,860	26,100	4,739
437,104	437,900	430,613	383,658	354,843	347,772
1,186,490	1,128,656	1,317,865	1,137,119	1,074,569	2,062,841
1,719,321	1,716,184	1,848,696	519,204	2,782,615	1,188,083
<u>6,054,845</u>	<u>6,069,543</u>	<u>6,143,256</u>	<u>4,544,042</u>	<u>6,398,300</u>	<u>6,088,187</u>

City of Monticello

City of Monticello

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Transportation: Airport Improvement Program	20.106	3-19-0061-008-2017	\$ 565,259
U.S. Department of Homeland Security: Assistance to Firefighters Grant	97.044	EMW-2016-FO-02647	<u>116,153</u>
Total direct			<u>681,412</u>
Indirect:			
U.S. Department of Transportation: Iowa Department of Public Safety: State and Community Highway Safety Cluster: State and Community Highway Safety	20.600	PAP 17-402-M0OP TASK 31-50-00	1,000
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	BROS-5182(604)--8J-53	441,239
U.S. Department of Natural Resources: Iowa Department of Natural Resources: State and Tribal Responses Program	66.817	18-7540-08	<u>1,800</u>
Total indirect			<u>444,039</u>
Total			<u>\$ 1,125,451</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Monticello under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Monticello, it is not intended to and does not present the financial position, changes in financial position or cash flows of City of Monticello.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Monticello has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2019. 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 deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-18 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-B-18 to II-E-18 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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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 and Questioned Costs. 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.



ROB SAND
Auditor of State

March 19, 2019



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

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited City of Monticello, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on City of Monticello's major federal program for the year ended June 30, 2018. City of Monticello's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Monticello's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Monticello's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Monticello's compliance.

Opinion on the Major Federal Program

In our opinion, City of Monticello complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The management of City of Monticello is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Monticello's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Monticello's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ROB SAND
Auditor of State

March 19, 2019

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) City of Monticello did not qualify as a low-risk auditee.

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-18 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) Investments – recordkeeping, investing, custody of investments and reconciling earnings. | City |
| (2) Receipts – collecting, depositing, posting and reconciling. | City, including
Recreation Department
Riverside Gardeners
Friends of the Library
Monticello Firefighter’s
Organization |
| (3) Utility Receipts – Utility rates are entered by an individual and are not independently tested to ensure proper calculations. | 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
Monticello Firefighter’s
Organization |

Cause – The City, Riverside Gardeners, Berndes Rec Center, 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’, Friends of the Library’s, 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 and Questioned Costs

Year ended June 30, 2018

Recommendation – The City, the Riverside Gardeners, the Friends of the Library, and the 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 – The City will evaluate current procedures to obtain the maximum internal control possible. The City Clerk’s Office will mail a copy of this recommendation to the Riverside Gardeners, the Friends of the Library, and the Monticello Firefighter’s Organizations. In addition, conversations will be held with Berndes Rec Center staff to discuss processes and procedures that may be put in place to improve control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

II-B-18 Computer System Policies

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

Condition – The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change 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.

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

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

Response – Policies related to the above bullet points are in the drafting phase and will be included in a new employee handbook / policy manual that is anticipated to be ready for approval in early February, 2019.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

II-C-18 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.

Recommendation – A written disaster recovery plan should be developed.

Response – Steps to create a disaster plan will begin immediately with an estimated completion date of April 1, 2019.

Conclusion – Response accepted.

II-D-18 Berndes Rec Center Collections

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

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

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

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

Recommendation – The City should require all collections be supported by a pre-numbered receipt and supporting documentation should be provided to determine and support the proper classification by source.

Response – The City Clerk will work with the Parks Department Director and Assistant Director to create practices and policies that will appropriately address the concerns set forth within this comment. Implementation of new policies to address the concerns outlined herein is slated to be complete by March 1, 2019.

Conclusion – Response accepted.

II-E-18 Petty Cash and Change Funds

Criteria – Petty cash and change fund amounts should be authorized by the City Council.

Condition – The Berndes Rec Center and Library maintain petty cash and change funds for which no authorization could be located.

Cause – Procedures have not been implemented to authorize all petty cash and change fund amounts for cash held at other City locations.

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

Recommendation – All petty cash and change funds should be formally authorized by the City Council and should be maintained on an imprest basis to provide additional control over the fund.

Response – The City Administrator will ask the Council to consider an updated Resolution to provide for appropriate petty cash amounts as well as a policy to manage the petty cash amounts.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted.
- IV-B-18 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-18 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted
- IV-D-18 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	\$ 1,986
Dave Savage, Airport Advisory Board Member, owner of Insurance Associates, Inc.	Insurance	176,077
Kim Brooks, Library Board Member, employee of Monticello Express	Services and supplies: Library	752
	Other departments	13,942
Brian Kramer, part-time City employee	Lawn and snow removal services	1,710
Rick Kramer, brother-in-law to Jim Tjaden and Jay Yanda, City employees	Services	395
Linda Kahler, mother of Nick Kahler, City employee	Embroidary services for City work shirts	1,536
Dave McNeill, Volunteer for ambulance	Hardware supplies	387
Nick Miller, Park Board Member, employee of Ohnward Bank	Services	1,816
Dennis Gray, Soldiers Memorial Board Member	Keys and services	577
Brian Woken, Council Member, employee of 151 Landscape	Services	5,710
Johnny Russ, Council Member, employee of Spahn and Rose Lumber Company	Supplies	5,773
Total		<u>\$ 210,661</u>

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

The transactions with Dave McNeill, Rick Kramer, Dennis Gray, and the 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, Monticello Express for other departments, Linda Kahler, Ohnward Bank and Insurance Associates, Inc. do not represent conflicts of interest since the employees and 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 Brian Kramer, 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.

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

Response – Steps will be taken to consider whether or not these transactions amounted to a conflict of interest as defined in Chapter 362.5 of the Iowa Code.

Conclusion – Response accepted.

IV-E-18 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.

IV-F-18 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 – This request will continue to receive consideration, however, City’s Solid Waste Ordinance establishes rates by its language directing that a Resolution setting out rates will be approved from time to time. While the rates themselves do not appear in the Ordinance, the Ordinance makes clear and puts the public on notice that a Resolution has been approved with current rates.

Conclusion – Response acknowledged. Chapter 362.2 of the Code of Iowa defines both an ordinance and a resolution, establishing that both exist. Chapter 384.84(1) of the Code of Iowa specifically requires utility rates to be established by “ordinance” of the City Council. The City should establish solid waste rates by ordinance, as required.

IV-G-18 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-H-18 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.

City of Monticello

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

IV-I-18 Developer Agreement – In June 2018, the City Council approved an agreement with a developer of the Willow Ridge 4th Addition for the City to hire a contractor to complete the remaining public improvements due to unforeseen circumstances which did not allow the developer to complete the project. The resolution stated the City was to receive a promissory note and mortgage against the unencumbered lots within the development and the City's to be reimbursed the costs to complete the improvements upon future lot sales. The City did not obtain a promissory note or mortgage as outlined in the resolution.

Recommendation – To ensure the reimbursement of public improvement costs paid by the City, the City should obtain a promissory note and mortgage from the developer.

Response – At or about the time the Promissory Note and Mortgage were to be prepared, the City learned the debt to the City would soon be repaid. Based thereon the decision was made to avoid the time and expense of preparing a mortgage and promissory note, both for the developer and the City. The recommendation is duly noted, however, in this circumstance the issue will soon be moot.

Conclusion – Response accepted.

IV-J-18 Annual Urban Renewal Report (AURR) – TIF debt outstanding on the Annual Urban Renewal Report (AURR) Levy Authority Summary does not agree with City records. The City understated the amount of outstanding debt by \$1,862,203.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City's records.

Response – The City Clerk has contacted the Iowa Department of Management to discuss the error and will review the report preparation process to ensure the amount is reported accurately.

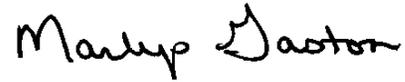
Conclusion – Response accepted.

City of Monticello

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Jesse J. Harthan, Senior Auditor II
Edward J. Schroder, Staff Auditor
David A. Slocum, Assistant Auditor



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Deputy Auditor of State