



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE _____ May 12, 2020

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$9,272,759 for the year ended June 30, 2019, a 25% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$7,256,821, a 10.7% decrease from the prior year. The significant increase in receipts is due primarily to proceeds received from the issuance of general obligation bonds during fiscal year 2019. The bonds were issued to help cover the costs of constructing street, water system, sanitary sewer system, sidewalk and storm water drainage improvements and installing street lighting, signage and signalization. The significant decrease in disbursements is due primarily to a reduction in disbursements for airport, street and bridge capital projects.

AUDIT FINDINGS:

Sand reported seven findings related to the receipt and disbursement of taxpayer funds and one pertaining to the City's component units. They are found on pages 48 through 53 of this report. The findings address issues such as a lack of segregation of duties, the lack of computer system policies, the lack of a written disaster recovery plan, a control weakness related to the Berndes Rec Center collections and deposits, disbursements exceeding budgeted amounts, related party transactions and the lack of an City ordinance establishing the solid waste rate. Sand provided the City with recommendations to address each of the findings.

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

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

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CITY OF MONTICELLO
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

City of Monticello



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Rob Sand
Auditor of State

March 20, 2020

Officials of the City of Monticello
Monticello, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Monticello, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Monticello

Officials

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

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, 2019, 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, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

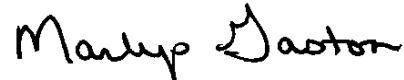
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monticello's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 36, 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 20, 2020 on our consideration of the City of Monticello's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Monticello's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 20, 2020

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, 2019

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,353,932	253,854	101,216	-
Public works	983,896	127,305	521,297	216,842
Culture and recreation	859,634	124,671	63,232	-
Community and economic development	158,874	500	-	-
General government	422,457	93,854	-	-
Debt service	1,155,893	-	4,770	-
Capital projects	945,687	9,132	11,325	240,987
Total governmental activities	5,880,373	609,316	701,840	457,829
Business type activities:				
Water	383,660	436,820	-	-
Sewer	407,102	603,093	-	-
Sanitation	585,686	488,165	-	-
Total business type activities	1,376,448	1,528,078	-	-
Total primary government	\$ 7,256,821	2,137,394	701,840	457,829
Component Unit:				
Monticello Firefighter's Organization	\$ 73,445	-	79,557	-
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				
Bond proceeds, net \$77,900 of premium				
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				
Fire purposes				
Employee benefits				
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
(998,862)	-	(998,862)	
(118,452)	-	(118,452)	
(671,731)	-	(671,731)	
(158,374)	-	(158,374)	
(328,603)	-	(328,603)	
(1,151,123)	-	(1,151,123)	
(684,243)	-	(684,243)	
(4,111,388)	-	(4,111,388)	
-	53,160	53,160	
-	195,991	195,991	
-	(97,521)	(97,521)	
-	151,630	151,630	
(4,111,388)	151,630	(3,959,758)	
			6,112
1,399,346	-	1,399,346	-
356,336	-	356,336	-
701,595	-	701,595	-
320,996	-	320,996	-
19,947	-	19,947	-
251,564	-	251,564	-
64,136	-	64,136	-
44,923	9,695	54,618	6,459
2,577,900	-	2,577,900	-
229,258	-	229,258	-
200,137	(200,137)	-	-
6,166,138	(190,442)	5,975,696	6,459
2,054,750	(38,812)	2,015,938	12,571
3,413,564	320,660	3,734,224	249,066
\$ 5,468,314	281,848	5,750,162	261,637
\$ 288,544	-	288,544	-
536,141	-	536,141	-
356,909	-	356,909	-
250,404	-	250,404	-
-	91,275	91,275	-
-	-	-	261,637
410,588	-	410,588	-
2,342,318	-	2,342,318	-
-	65,044	65,044	-
160,511	-	160,511	-
1,122,899	125,529	1,248,428	-
\$ 5,468,314	281,848	5,750,162	261,637

City of Monticello

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

As of and for the year ended June 30, 2019

	Special Revenue		
	General	Tax Increment Financing	Road Use Tax
Receipts:			
Property tax	\$ 965,554	-	-
Tax increment financing	-	701,595	-
Other city tax	368,708	-	-
Licenses and permits	267,385	-	-
Use of money and property	252,200	12,898	-
Intergovernmental	142,069	-	490,389
Charges for service	342,780	-	-
Special assessments	-	-	-
Miscellaneous	178,865	-	-
Total receipts	<u>2,517,561</u>	<u>714,493</u>	<u>490,389</u>
Disbursements:			
Operating:			
Public safety	1,101,095	-	-
Public works	334,888	-	602,499
Culture and recreation	697,681	-	-
Community and economic development	-	158,874	-
General government	377,564	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,511,228</u>	<u>158,874</u>	<u>602,499</u>
Excess (deficiency) of receipts over (under) disbursements	<u>6,333</u>	<u>555,619</u>	<u>(112,110)</u>
Other financing sources (uses):			
Bond proceeds, net of \$77,900 premium	-	-	-
Transfers in	-	-	-
Transfers out	(246,690)	(525,132)	-
Total other financing sources (uses)	<u>(246,690)</u>	<u>(525,132)</u>	<u>-</u>
Change in cash balances	(240,357)	30,487	(112,110)
Cash balances beginning of year	1,435,538	240,279	648,251
Cash balances end of year	<u>\$ 1,195,181</u>	<u>270,766</u>	<u>536,141</u>
Cash Basis Fund Balances			
Nonspendable - Permanent Funds	\$ -	-	-
Restricted for:			
Streets	-	-	536,141
Debt service	-	270,766	-
Library purposes	43,579	-	-
Employee benefits	-	-	-
Capital projects	-	-	-
Other purposes	28,703	-	-
Assigned for:			
Capital equipment	79,207	-	-
Unassigned	1,043,692	-	-
Total cash basis fund balances	<u>\$ 1,195,181</u>	<u>270,766</u>	<u>536,141</u>

See notes to financial statements.

Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
394,726	348,052	-	-	1,708,332
-	-	-	-	701,595
11,301	8,284	-	-	388,293
-	-	800	-	268,185
8,854	4,770.00	12,012	5,243	295,977
15,393	11,285.00	410,314	-	1,069,450
-	-	-	-	342,780
-	-	7,043	-	7,043
-	-	69,382	127,184	375,431
430,274	372,391	499,551	132,427	5,157,086
228,854	-	-	23,983	1,353,932
46,509	-	-	-	983,896
90,530	-	-	71,423	859,634
-	-	-	-	158,874
44,893	-	-	-	422,457
-	1,155,893	-	-	1,155,893
-	-	945,687	-	945,687
410,786	1,155,893	945,687	95,406	5,880,373
19,488	(783,502)	(446,136)	37,021	(723,287)
-	-	2,577,900	-	2,577,900
-	799,625	172,334	-	971,959
-	-	-	-	(771,822)
-	799,625	2,750,234	-	2,778,037
19,488	16,123	2,304,098	37,021	2,054,750
391,100	70,020	38,220	590,156	3,413,564
410,588	86,143	2,342,318	627,177	5,468,314
-	-	-	288,544	288,544
-	-	-	-	536,141
-	86,143	-	-	356,909
-	-	-	206,825	250,404
410,588	-	-	-	410,588
-	-	2,342,318	-	2,342,318
-	-	-	131,808	160,511
-	-	-	-	79,207
-	-	-	-	1,043,692
410,588	86,143	2,342,318	627,177	5,468,314

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, 2019

	Enterprise				Internal
	Water	Sewer	Sanitation	Total	Service Self Insurance
Operating receipts:					
Charges for service	\$ 420,025	595,171	486,953	1,502,149	21,921
Miscellaneous	16,795	2,226	1,212	20,233	-
Total operating receipts	436,820	597,397	488,165	1,522,382	21,921
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	3,751
Public works	-	-	-	-	4,035
Culture and recreation	-	-	-	-	2,765
General government	-	-	-	-	2,492
Business type activities	383,660	320,451	585,686	1,289,797	8,878
Total operating disbursements	383,660	320,451	585,686	1,289,797	21,921
Excess (deficiency) of operating receipts over (under) operating disbursements	53,160	276,946	(97,521)	232,585	-
Non-operating receipts (disbursements):					
Interest on investments	1,818	5,492	2,385	9,695	-
Special assessments	-	5,696	-	5,696	-
Capital outlay	-	(86,651)	-	(86,651)	-
Net non-operating receipts (disbursements)	1,818	(75,463)	2,385	(71,260)	-
Excess (deficiency) of receipts over (under) disbursements	54,978	201,483	(95,136)	161,325	-
Transfers in	40,770	33,586	-	74,356	-
Transfers out	(108,013)	(166,480)	-	(274,493)	-
Total transfers	(67,243)	(132,894)	-	(200,137)	-
Change in cash balances	(12,265)	68,589	(95,136)	(38,812)	-
Cash balances beginning of year	105,184	53,380	162,096	320,660	-
Cash balances end of year	\$ 92,920	121,968	66,960	281,848	-
Cash Basis Fund Balances					
Restricted for:					
Customer deposits	\$ 91,275	-	-	91,275	-
Equipment set-aside	1,589	-	63,455	65,044	-
Unrestricted	56	121,968	3,505	125,529	-
Total cash basis fund balances	\$ 92,920	121,968	66,960	281,848	-

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, 2019

	<u>Agency</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ 2,000
Deductions:	
Medical reimbursements	<u>2,073</u>
Change in cash balance	(73)
Cash balance beginning of year	<u>777</u>
Cash balance end of year	<u>\$ 704</u>

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2019

(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 \$65,044 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. Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2019 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
2020	\$ 760,000	128,952
2021	780,000	107,450
2022	550,000	88,369
2023	565,000	76,131
2024	570,000	62,769
2025-2029	1,665,000	141,156
Total	<u>\$ 4,890,000</u>	<u>604,827</u>

During the year ended June 30, 2019, the City issued \$2,500,000 of general obligation bonds and retired \$1,085,000 of general obligation bonds.

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, 2019 totaled \$10,000, resulting in an unpaid principal balance of \$30,000 at June 30, 2019. A summary of the annual principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Installment Purchase Agreement	
	Principal	Interest
2020	\$ 10,000	1,200
2021	10,000	802
2022	10,000	400
Total	<u>\$ 30,000</u>	<u>2,402</u>

(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 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$148,523.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$668,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City's proportion was 0.010570%, which was an decrease of 0.000528% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$155,237, \$327,162 and \$217,477, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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(asset) 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 (asset)	\$ 1,562,816	668,874	(80,372)

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 \$584 for single coverage to \$1,681 for family coverage. For the year ended June 30, 2019, the City contributed \$177,083 and plan members eligible for benefits contributed \$28,008 to the plan. At June 30, 2019, 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>29</u>
Total	<u>29</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City also allows employees to accumulate holiday and compensatory time during the fiscal year in lieu of overtime pay. The City's approximate liability for earned compensated absences payable to employees at June 30, 2019, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 59,000
Compensatory time	1,000
Holiday	2,000
Total	<u>\$ 62,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(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, 2019 was \$158,874. The total cumulative amount rebated and granted since inception of the existing agreements is \$847,706. 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, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 525,132
	Enterprise:	
	Water	108,013
	Sewer	166,480
		<u>799,625</u>
Capital Projects	General	<u>172,334</u>
Enterprise:		
Water	General	40,770
Sewer	General	33,586
Total		<u>\$ 1,046,315</u>

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

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$280,498 during the year ended June 30, 2019.

(12) Construction Commitments

The City entered into construction contracts totaling \$3,800,700 for various street, airport and water projects. As of June 30, 2019, costs of \$2,203,680 had been paid on the contracts. The remaining \$1,597,020 will be paid as work on these projects progresses.

(13) 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, 2019, active loans had an outstanding balance of \$1,853.

(14) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2019, \$62,185 of property tax was diverted from the City under the urban renewal and economic development agreements.

(15) Subsequent Events

In September 2019, the City Council approved the purchase of a fire truck from Toyne Inc. for \$333,985. The cost of the fire truck will be paid from fire department set-a-side funds.

In October 2019, the City Council approved the purchase of a 2019 Ford one-ton pickup with v-plow from Freese Motors for \$51,000. The cost of the pickup will be paid from available City funds.

In February 2020, the City Council approved the purchase of two airport hangers owned by Monticello Aviation for \$75,000. The cost of the hangers will be paid from available City funds.

In March 2020, the City Council approved a purchase lease agreement of a Bobcat 5600 Toolcat from Bobcat of Cedar Rapids for \$56,446 with \$10,000 down and the balance to paid over four years, with an interest rate of 4.59%.

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City of Monticello, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,708,332	-	-
Tax increment financing	701,595	-	-
Other city tax	388,293	-	-
Licenses and permits	268,185	-	-
Use of money and property	295,977	9,695	63
Intergovernmental	1,069,450	-	-
Charges for service	342,780	1,502,149	-
Special assessments	7,043	5,696	-
Miscellaneous	375,431	20,233	125,177
Total receipts	5,157,086	1,537,773	125,240
Disbursements:			
Public safety	1,353,932	-	23,983
Public works	983,896	-	-
Culture and recreation	859,634	-	63,603
Community and economic development	158,874	-	-
General government	422,457	-	-
Debt service	1,155,893	-	-
Capital projects	945,687	-	-
Business type activities	-	1,376,448	-
Total disbursements	5,880,373	1,376,448	87,586
Excess (deficiency) of receipts over (under) disbursements	(723,287)	161,325	37,654
Other financing sources (uses), net	2,778,037	(200,137)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,054,750	(38,812)	37,654
Balances beginning of year	3,413,564	320,660	96,488
Balances end of year	\$ 5,468,314	281,848	134,142

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,708,332	1,714,091	1,714,091	(5,759)
701,595	730,000	730,000	(28,405)
388,293	393,105	393,105	(4,812)
268,185	236,325	238,285	29,900
305,609	213,293	229,569	76,040
1,069,450	653,067	1,282,445	(212,995)
1,844,929	1,990,950	1,988,634	(143,705)
12,739	13,725	13,725	(986)
270,487	128,800	318,262	(47,775)
6,569,619	6,073,356	6,908,116	(338,497)
1,329,949	1,378,058	1,456,374	126,425
983,896	975,495	1,171,194	187,298
796,031	869,069	901,247	105,216
158,874	185,366	157,460	(1,414)
422,457	468,997	479,386	56,929
1,155,893	1,155,593	1,155,893	-
945,687	88,500	2,413,620	1,467,933
1,376,448	1,528,760	1,652,977	276,529
7,169,235	6,649,838	9,388,151	2,218,916
(599,616)	(576,482)	(2,480,035)	1,880,419
2,577,900	315,000	2,515,000	62,900
1,978,284	(261,482)	34,965	1,943,319
3,637,736	2,919,821	3,638,504	(768)
5,616,020	2,658,339	3,673,469	1,942,551

City of Monticello

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$592,255 and \$2,146,058, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019 disbursements in the community and economic development function exceeded the amount budgeted.

City of Monticello

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.010570%	0.011098%	0.010692%	0.008820%	0.007086%
City's proportionate share of the net pension liability	\$ 669	739	673	436	281
City's covered payroll	\$ 1,496	1,481	1,386	1,400	1,381
City's proportionate share of the net pension liability as a percentage of its covered payroll	44.72%	49.90%	48.56%	31.14%	20.35%
IPERS' net position as a percentage of the total pension liability	82.60%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 149	140	139	130
Contributions in relation to the statutorily required contribution	<u>(149)</u>	<u>(140)</u>	<u>(139)</u>	<u>(130)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,512	1,496	1,481	1,386
Contributions as a percentage of covered payroll	9.85%	9.36%	9.39%	9.38%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
133	131	126	116	107	97
(133)	(131)	(126)	(116)	(107)	(97)
-	-	-	-	-	-
1,400	1,381	1,331	1,296	1,283	1,229
9.50%	9.49%	9.47%	8.95%	8.34%	7.89%

City of Monticello

Notes to Other Information – Pension Liability

Year ended June 30, 2019

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Supplementary Information

City of Monticello

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

As of and for the year ended June 30, 2019

	Police Forfeiture	Slavka Gehret Trust	Riverside Gardeners, Inc.	Special Monticello Emergency Medical Team
Receipts:				
Use of money and property	\$ 16	2,976	35	28
Miscellaneous	-	-	6,293	37,103
Total receipts	16	2,976	6,328	37,131
Disbursements:				
Operating:				
Public safety	-	-	-	23,983
Culture and recreation	-	3,442	5,257	-
Total disbursements	-	3,442	5,257	23,983
Change in cash balances	16	(466)	1,071	13,148
Cash balances beginning of year	827	204,114	4,981	31,242
Cash balances end of year	\$ 843	203,648	6,052	44,390
Cash Basis Fund Balances				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Library purposes	-	203,648	-	-
Other purposes	843	-	6,052	44,390
Total cash basis fund balances	\$ 843	203,648	6,052	44,390

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
-	-	-	990	1,198	5,243
4,571	77,210	2,007	-	-	127,184
4,571	77,210	2,007	990	1,198	132,427
-	-	-	-	-	23,983
8,193	50,153	-	1,499	2,879	71,423
8,193	50,153	-	1,499	2,879	95,406
(3,622)	27,057	2,007	(509)	(1,681)	37,021
6,799	53,466	162,372	41,004	85,351	590,156
3,177	80,523	164,379	40,495	83,670	627,177
-	-	164,379	40,495	83,670	288,544
3,177	-	-	-	-	206,825
-	80,523	-	-	-	131,808
3,177	80,523	164,379	40,495	83,670	627,177

City of Monticello
 Schedule of Indebtedness
 Year ended June 30, 2019

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
General corporate purpose	May 15, 2019	3.00	2,500,000
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
405,000	-	130,000	275,000	14,185
180,000	-	180,000	-	4,230
100,000	-	100,000	-	1,250
1,160,000	-	120,000	1,040,000	27,075
1,630,000	-	555,000	1,075,000	21,353
-	2,500,000	-	2,500,000	-
\$ 3,475,000	2,500,000	1,085,000	4,890,000	68,093
40,000	-	10,000	30,000	1,600

City of Monticello

City of Monticello

Bond Maturities

June 30, 2019

General Obligation Bonds										
Year Ending June 30,	Refunding Issued June 1, 2010		General Corporate Purpose Issued Oct 21, 2014		General Corporate Purpose and Refunding Issued May 17, 2016		General Corporate Purpose and Refunding Issued May 15, 2019		Total	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2020	3.50%	\$ 135,000	2.25%	\$ 265,000	1.05%	\$ 145,000	3.00%	\$ 215,000	760,000	
2021	3.60	140,000	2.25	265,000	1.20	150,000	3.00	225,000	780,000	
2022	-	-	2.25	170,000	1.30	150,000	3.00	230,000	550,000	
2023	-	-	2.50	170,000	1.45	155,000	3.00	240,000	565,000	
2024	-	-	2.75	170,000	1.60	155,000	3.00	245,000	570,000	
2025	-	-	-	-	1.80	160,000	3.00	255,000	415,000	
2026	-	-	-	-	2.00	160,000	3.00	260,000	420,000	
2027	-	-	-	-	-	-	3.00	270,000	270,000	
2028	-	-	-	-	-	-	3.00	275,000	275,000	
2029	-	-	-	-	-	-	3.00	285,000	285,000	
Total		<u>\$ 275,000</u>		<u>\$ 1,040,000</u>		<u>\$ 1,075,000</u>		<u>\$ 2,500,000</u>	<u>4,890,000</u>	

See accompanying independent auditor's report.

City of Monticello

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

For the Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Receipts:				
Property tax	\$ 1,708,332	1,675,454	1,614,852	1,507,823
Tax increment financing	701,595	677,167	687,017	697,082
Other city tax	388,293	370,767	381,410	364,168
Licenses and permits	268,185	256,577	240,231	236,417
Use of money and property	295,977	227,020	219,114	211,953
Intergovernmental	1,069,450	1,842,509	984,472	656,846
Charges for service	342,780	419,282	378,155	421,657
Special assessments	7,043	28,750	8,625	10,245
Miscellaneous	375,431	356,557	345,414	322,355
Total	<u>\$ 5,157,086</u>	<u>5,854,083</u>	<u>4,859,290</u>	<u>4,428,546</u>
Disbursements:				
Operating:				
Public safety	\$ 1,353,932	1,406,420	1,264,186	1,301,333
Public works	983,896	560,099	513,294	505,104
Culture and recreation	859,634	707,194	709,030	684,872
Community and economic development	158,874	152,717	154,145	160,185
General government	422,457	402,548	388,120	447,938
Debt service	1,155,893	1,146,258	1,080,718	978,276
Capital projects	945,687	2,007,692	1,427,765	1,578,911
Total	<u>\$ 5,880,373</u>	<u>6,382,928</u>	<u>5,537,258</u>	<u>5,656,619</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
1,418,243	1,359,156	1,207,353	1,196,924	1,106,176	1,068,538
705,038	707,631	954,563	715,234	875,293	812,590
378,272	589,325	576,648	539,455	557,125	543,522
257,563	23,739	15,898	12,521	11,904	16,337
199,545	182,975	195,688	169,191	158,905	164,893
613,988	1,785,111	860,934	1,148,043	841,758	533,704
442,108	513,066	538,875	581,031	587,068	534,278
8,841	25,545	33,067	32,125	18,767	8,225
593,478	496,566	398,060	548,260	332,503	172,524
<u>4,617,076</u>	<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>
1,314,857	1,314,483	1,554,299	1,418,347	1,259,332	1,134,151
472,415	567,227	523,740	476,325	649,183	482,589
650,097	714,327	565,742	575,555	547,686	543,433
138,630	115,893	143,022	75,855	47,860	26,100
425,395	437,104	437,900	430,613	383,658	354,843
1,031,717	1,186,490	1,128,656	1,317,865	1,137,119	1,074,569
777,768	1,719,321	1,716,184	1,848,696	519,204	2,782,615
<u>4,810,879</u>	<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>



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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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2020. 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 as item (A) to be a material weakness.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

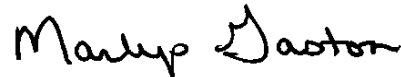
The City of Monticello's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

March 20, 2020

City of Monticello
Schedule of Findings
Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

- | | |
|---|--|
| (1) Investments – recordkeeping, investing, custody of investments and reconciling earnings. | City |
| (2) Receipts – collecting, depositing, posting and reconciling. | City, including
Recreation Center
Riverside Gardeners*
Friends of the Library*
Monticello Firefighter's
Organization* |
| (3) Utility Receipts – Utility rates entered into the utility system are not independently reviewed and 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* |

*Component unit

Cause – The City, including the Recreation Center, Riverside Gardeners, 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', the Friends of the Library's, and the Monticello Firefighter's Organizations' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of Monticello

Schedule of Findings

Year ended June 30, 2019

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 Clerk’s Office will mail a copy of this recommendation to the Riverside Gardeners, Friends of the Library and Monticello Firefighter’s Organizations. Conversations will be had with Berndes Recreation Center staff to discuss processes and procedures, in addition to those implemented after the fiscal year 2018 audit, that may be put in place to improve control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

(B) Computer System Policies

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

Condition – The City does not have written policies for:

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

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

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

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

Response – 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 March 2020.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2019

(C) 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 have been discussed but not yet implemented. Efforts on this front will begin in early 2020.

Conclusion – Response accepted.

(D) Berndes Recreation Center Collections

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

City of Monticello

Schedule of Findings

Year ended June 30, 2019

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

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

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

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

Response – The City Clerk has worked with the Parks Department Director and Assistant Director to create practices and policies that will appropriately address the concerns set forth within this comment. While some policies have been implemented, additional steps will be taken forthwith to address the concerns noted herein.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2019

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Steps will be taken to prevent spending before budget amendments are completed.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Doug Monck, Ambulance Advisory Board Member, employee of Monticello Machine Shop	Services and supplies, other departments	\$ 2,698
Dave Savage, Airport Advisory Board Member, owner of Insurance Associates, Inc.	Insurance	192,159
Kim Brooks, Library Board Member, employee of Monticello Express	Services and supplies: Library	937
	Other departments	10,562
Jim Tjaden and Jay Yanda, city employees, brothers-in-law, Snow-Go, Inc.	Services	342
Linda Kahler, mother of Nick Kahler, City employee	Embroidary services for City work shirts	2,662
Dave McNeill, Volunteer for ambulance, owner of McNeill AJH Hardware	Hardware supplies	333
Nick Miller, Park Board Member, employee of Ohnward Bank	Services	2,549
Dennis Gray, Soldiers Memorial Board Member, The Lock Shop	Keys and services	448
Brian Woken, Council Member, employee of 151 Landscape	Services	26,895
Johnny Russ, Council Member, employee of Spahn and Rose Lumber Company	Supplies	4,619
Rob Paulson, Council Member, employee of All Seasons Auto Body	Services	13,130
Trent Adams, Planning & Zoning Board of Adjustments, Next Generation Plumbing & Heating	Services	23,164
Total		<u>\$ 280,498</u>

City of Monticello

Schedule of Findings

Year ended June 30, 2019

The transactions with Jim Tjaden and Jay Yanda, Dave McNeill, 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 for other departments, Monticello Express for other departments, Linda Kahler, Ohnward Bank and Insurance Associates, Inc. do not represent conflicts of interest since the employees and Advisory 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 All Seasons Auto Body, Next Generation Plumbing & Heating, 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.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- (6) Utility Rate – The City’s solid waste rate was not established by ordinance.

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

Response – The City Council is currently considering modifications and amendments to the City Code that will set forth rates for solid waste by ordinance.

Conclusion – Response accepted.

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

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Monticello

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Edward J. Schroder, Staff Auditor
David A. Slocum, Staff Auditor