

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

July 27, 2016

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$542,298 for the year ended June 30, 2015. The receipts included \$130,484 in property tax, \$153,045 from charges for service, \$234,282 from operating grants, contributions and restricted interest, \$24,346 from local option sales tax and \$141 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2015 totaled \$465,916, and included \$92,188 for general government, \$90,386 for public works and \$76,069 for culture and recreation. Also, disbursements for business type activities totaled \$74,445.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1522-0406-B00F>.

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**CITY OF MONDAMIN**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

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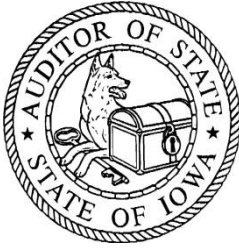
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**City of Mondamin**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Rife	Mayor	Jan 2016
Marguerite Rains	Mayor Pro tem	Jan 2016
Dan Rife	Council Member	Jan 2018
Cheryl Tamisiea	Council Member	Jan 2018
Chad Sirtz	Council Member	Jan 2018
Dorothy Gruhn	Council Member	(Resigned May 2015)
Cherri Wallace	City Clerk/Treasurer	(Resigned March 2015)
Deborah Earleywine (Appointed April 2015)	City Clerk/Treasurer	Indefinite
Todd Argotsinger	Attorney	Indefinite

**City of Mondamin**



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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, each major fund and the aggregate remaining fund information of the City of Mondamin, Iowa, as of and for the year ended June 30, 2015, 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.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2014.

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mondamin as of June 30, 2015, 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 4, the City of Mondamin adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for 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 Mondamin's basic financial statements. The supplementary information included in Schedules 1 through 3 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 26 through 32, 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 June 23, 2016 on our consideration of the City of Mondamin'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 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 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 Mondamin's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 23, 2016

**City of Mondamin**

## **Basic Financial Statements**

City of Mondamin

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 90,386	43,982	96,815
Public works	66,047	13,470	41,801
Health and social services	1,595	-	-
Culture and recreation	76,069	-	61,756
Community and economic development	24,722	-	33,910
General government	92,188	-	-
Debt service	40,464	-	-
Total governmental activities	391,471	57,452	234,282
Business type activities:			
Water	46,326	75,709	-
Sewer	28,119	19,884	-
Total business type activities	74,445	95,593	-
Total	\$ 465,916	153,045	234,282
<b>General Receipts:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted for:			
Streets			
Community betterment			
Fire and Rescue			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
50,411	-	50,411
(10,776)	-	(10,776)
(1,595)	-	(1,595)
(14,313)	-	(14,313)
9,188	-	9,188
(92,188)	-	(92,188)
(40,464)	-	(40,464)
(99,737)	-	(99,737)
-	29,383	29,383
-	(8,235)	(8,235)
-	21,148	21,148
(99,737)	21,148	(78,589)
\$ 109,875	-	109,875
20,609	-	20,609
24,346	-	24,346
141	-	141
154,971	-	154,971
55,234	21,148	76,382
562,359	(232,916)	329,443
\$ 617,593	(211,768)	405,825
\$ 61,268	-	61,268
113,645	-	113,645
106,579	-	106,579
55,193	-	55,193
280,908	(211,768)	69,140
\$ 617,593	(211,768)	405,825

City of Mondamin

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

As of and for the year ended June 30, 2015

	Special Revenue			
	General	Road Use Tax	Community Betterment	Mondamin Fire and Rescue
Receipts:				
Property tax	\$ 95,836	-	-	-
Other city tax	2,457	-	-	-
Licenses and permits	575	-	-	-
Use of money and property	30,251	-	100	-
Intergovernmental	40,128	41,801	-	2,631
Charges for service	12,895	-	-	43,982
Miscellaneous	33,287	-	-	86,225
Total receipts	215,429	41,801	100	132,838
Disbursements:				
Operating:				
Public safety	23,584	-	-	66,802
Public works	51,859	8,312	-	-
Health and social services	1,595	-	-	-
Culture and recreation	76,069	-	-	-
Community and economic development	24,722	-	-	-
General government	92,188	-	-	-
Debt service	-	-	-	-
Total disbursements	270,017	8,312	-	66,802
Excess (deficiency) of receipts over (under) disbursements	(54,588)	33,489	100	66,036
Other financing sources (uses):				
Transfers in	11,926	-	-	-
Transfers out	-	-	(11,926)	-
Total other financing sources (uses)	11,926	-	(11,926)	-
Change in cash balances	(42,662)	33,489	(11,826)	66,036
Cash balances beginning of year	343,538	27,779	125,471	40,543
Cash balances end of year	\$ 300,876	61,268	113,645	106,579
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	61,268	-	-
Community betterment	-	-	113,645	-
Fire and Rescue	-	-	-	106,579
Other purposes	-	-	-	-
Unassigned	300,876	-	-	-
Total cash basis fund balances	\$ 300,876	61,268	113,645	106,579

See notes to financial statements.

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Debt		
Service	Nonmajor	Total
20,091	11,291	127,218
518	24,637	27,612
-	-	575
-	-	30,351
-	-	84,560
-	-	56,877
-	-	119,512
20,609	35,928	446,705
-	-	90,386
-	5,876	66,047
-	-	1,595
-	-	76,069
-	-	24,722
-	-	92,188
40,464	-	40,464
40,464	5,876	391,471
(19,855)	30,052	55,234
-	-	11,926
-	-	(11,926)
-	-	-
(19,855)	30,052	55,234
(113)	25,141	562,359
(19,968)	55,193	617,593
-	-	61,268
-	-	113,645
-	-	106,579
-	55,193	55,193
(19,968)	-	280,908
(19,968)	55,193	617,593

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## City of Mondamin

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

As of and for the year ended June 30, 2015

	<u>Enterprise</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 75,709	19,884	95,593
Operating disbursements:			
Business type activities	46,326	28,119	74,445
Change in cash balances	29,383	(8,235)	21,148
Cash balances beginning of year	(163,041)	(69,875)	(232,916)
Cash balances end of year	<u>\$ (133,658)</u>	<u>(78,110)</u>	<u>(211,768)</u>
<b>Cash Basis Fund Balances</b>			
Unrestricted	<u>\$ (133,658)</u>	<u>(78,110)</u>	<u>(211,768)</u>

See notes to financial statements.



City of Mondamin

Notes to Financial Statements

June 30, 2015

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

The City of Mondamin is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mondamin 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 Mondamin (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Mondamin Fire and Rescue was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. Mondamin Fire and Rescue is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. It is reported as part of the City and blended as a Special Revenue Fund of the City.

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: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission and Harrison County Joint E911 Service Board.

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 revenues, 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:

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. Enabling legislation did not result in any restricted net position.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The 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 Community Betterment Fund is used to account for a gift received from the James King estate to be used for specific community betterment projects.

The Mondamin Fire and Rescue Fund is used to account for the charges for service and operation of the Fire and Rescue Service.

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 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.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 fund balances.

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:

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.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services, culture and recreation, community and economic development, general government and debt service functions.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2015 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. 3, as amended by Statement No. 40.

**(3) Notes Payable**

Annual debt service requirements to maturity for the general obligation capital loan note are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 27,387	13,076	40,463
2017	28,757	11,707	40,464
2018	30,195	10,269	40,464
2019	31,704	8,759	40,463
2020	33,290	7,174	40,464
2021-2023	110,193	11,198	121,391
Total	\$ 261,526	62,183	323,709

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-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 - Effective July 1, 2012, as a result of a 2010 law change, the 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%. 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 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$4,733.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$34,628. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective 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, 2014, the City’s proportion was 0.0008731%, which was a decrease of 0.0001137% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City’s collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$2,592, \$1,904 and \$13,206, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to 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 the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 65,428	34,628	8,629

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

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

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There is 1 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$688 single coverage. For the year ended June 30, 2015, the City contributed \$4,127 and the plan member eligible for benefits did not contribute to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused paid personal time and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned paid personal time and compensatory time payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Paid personal leave	200
Compensatory time	1,200
Total	<u>\$ 1,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Community Betterment	\$ 11,926

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

**(8) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$21,765.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.



The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, one liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Deficit Balance**

The Debt Service Fund and the Enterprise, Water and Sewer Funds had deficit balances of \$19,968, \$133,658 and \$78,110, respectively, at June 30, 2015. The deficits will be eliminated through necessary property tax increases to service debt service payments and through review of utility rates.

**(10) Litigation**

In December 2015, the City settled a claim against the City. The City's insurance deductible to cover the settlement was \$1,000.

**(11) Subsequent Event**

In January 2016, the City authorized the issuance of a \$40,000 general obligation note for the purpose of acquiring a fire truck.

**City of Mondamin**

## **Other Information**

City of Mondamin  
 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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 127,218	-	-
Other city tax	27,612	-	-
Licenses and permits	575	-	-
Use of money and property	30,351	-	-
Intergovernmental	84,560	-	2,631
Charges for service	56,877	95,593	43,982
Miscellaneous	119,512	-	86,225
Total receipts	446,705	95,593	132,838
Disbursements:			
Public safety	90,386	-	66,802
Public works	66,047	-	-
Health and social services	1,595	-	-
Culture and recreation	76,069	-	-
Community and economic development	24,722	-	-
General government	92,188	-	-
Debt service	40,464	-	-
Business type activities	-	74,445	-
Total disbursements	391,471	74,445	66,802
Excess (deficiency) of receipts over (under) disbursements	55,234	21,148	66,036
Balances beginning of year	562,359	(232,916)	40,543
Balances end of year	\$ 617,593	(211,768)	106,579

See accompanying independent auditor's report.

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Total	Budgeted	Final to
	Amounts	Total
	Original/Final	Variance
127,218	126,158	1,060
27,612	26,260	1,352
575	600	(25)
30,351	35,700	(5,349)
81,929	49,500	32,429
108,488	113,000	(4,512)
33,287	15,000	18,287
409,460	366,218	43,242
23,584	46,000	22,416
66,047	69,500	3,453
1,595	1,500	(95)
76,069	48,000	(28,069)
24,722	15,000	(9,722)
92,188	82,000	(10,188)
40,464	-	(40,464)
74,445	135,500	61,055
399,114	397,500	(1,614)
10,346	(31,282)	41,628
288,900	389,739	(100,839)
299,246	358,457	(59,211)

City of Mondamin

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 the component unit. 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 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, there were no budget amendments.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services, culture and recreation, community and economic development, general government and debt service functions.

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City of Mondamin

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0008731%
City's proportionate share of the net pension liability	\$ 35
City's covered-employee payroll	\$ 56
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.50%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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City of Mondamin

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last Two Fiscal Years  
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 5	5
Contributions in relation to the statutorily required contribution	<u>(5)</u>	<u>(5)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
City's covered-employee payroll	\$ 56	56
Contributions as a percentage of covered-employee payroll	8.93%	8.93% <sup>1</sup>

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.



City of Mondamin

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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.

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

## **Supplementary Information**

**City of Mondamin**

## City of Mondamin

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

As of and for the year ended June 30, 2015

	Special Revenue			Total
	Employee Benefits	Local Option Sales Tax	Capital Projects	
Receipts:				
Property tax	\$ 11,291	-	-	11,291
Other city tax	291	24,346	-	24,637
Total receipts	11,582	24,346	-	35,928
Disbursements:				
Public works	5,876	-	-	5,876
Change in cash balances	5,706	24,346	-	30,052
Cash balances beginning of year	100	21,398	3,643	21,498
Cash balances end of year	\$ 5,806	45,744	3,643	51,550
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ 5,806	45,744	3,643	51,550

See accompanying independent auditor's report.

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City of Mondamin  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation note:			
Capital loan note	Jun 17, 2008	5.00%	\$ 420,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
287,609	-	26,083	261,526	14,381

**Schedule 3**

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City of Mondamin

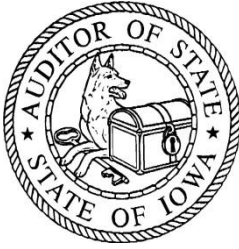
Note Maturities

June 30, 2015

General Obligation Capital Loan Note			
Year Ending June 30,	Issued Jun 17, 2008		
	Interest Rates		Amount
2016	5.00%	\$	27,387
2017	5.00		28,757
2018	5.00		30,195
2019	5.00		31,704
2020	5.00		33,290
2021	5.00		34,954
2022	5.00		36,702
2023	5.00		38,537
Total		\$	<u>261,526</u>

See accompanying independent auditor's report.





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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, each major fund and the aggregate remaining fund information of the City of Mondamin, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2016. Our report expressed modified 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, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mondamin'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 Mondamin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mondamin'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 were not 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 Mondamin's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mondamin'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 accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 Mondamin's Responses to the Findings


The City of Mondamin's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Mondamin'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 Mondamin during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 23, 2016

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Long-term debt - recording and reconciling.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Disbursements - check writing and signing, mailing, posting and reconciling.
- (6) Payroll - preparing, recordkeeping and distributing.
- (7) Journal entries - preparing and journalizing.
- (8) Financial reporting - preparing and reconciling.

For the Mondamin Public Library and Mondamin Fire and Rescue, one individual has control over each of the following areas with no independent review:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - collecting, recording, depositing and reconciling.
- (3) Disbursements - preparing, signing, recording and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City, the Public Library and Mondamin Fire and Rescue should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses -

City -

Cash - A set amount will be established for the change fund. City officials will periodically do unannounced audits of the money in the change fund and the petty cash fund.

Investing - A report of investments will be made available to the City Council at each monthly meeting. Investment activity will be reported by the Clerk.

Long-term debt - Long-term debt requires approval from the City Council and activity is recorded in the meeting minutes when debt is established, paid down, or paid off.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

Receipts - Receipts are journalized in 2 steps and then deposited in the bank where the bank validates the copy of the deposit slip. City officials can periodically review the receipt of payments in QuickBooks and verify the payment was deposited in the bank by viewing the stamped copy of the deposit slip.

Disbursements - All disbursements are reviewed at the monthly City Council meetings. Check stubs are attached to invoices for review by City Council members.

Payroll - Payroll is reviewed monthly along with the other disbursements at the monthly City Council meetings.

Accounting - City officials will make periodic unannounced reviews of the City's record keeping program, QuickBooks. Using supporting documentation, city officials will check to ensure receipts, disbursements and payroll are being recorded accurately and thoroughly.

Mondamin Public Library - With only one person employed to handle invoices and disbursements, segregation of duties is not possible. The Library's limited budget does not allow for the employment of more than one part-time employee. The Library Board reviews all income and expenses, invoices and disbursements at monthly Board meetings. The Library believes there is adequate control over Library accounting functions with this process in place.

Mondamin Fire and Rescue - With only one person as Treasurer to handle invoices and disbursements in this volunteer organization, segregation of duties is not possible. Large expenditures are voted on and approved at regular monthly meetings and all invoices are scanned and documented. The Treasurer provides a full accounting (line item) of expenditures and income to the Department at least quarterly. The Fire and Rescue Department believes there is adequate control over Fire and Rescue accounting functions with this process in place.

Conclusions -

City - Response acknowledged. Independent reviews performed should be documented by the signature or the initials of the reviewer and the date of the review.

Public Library and Mondamin Fire and Rescue - Responses acknowledged. Control procedures should be reviewed to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials or board members.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

- (B) Bank Reconciliations – Cash and investment balances in the City’s general ledger were not reconciled to bank and investment balances throughout the year. A list of outstanding checks was not always prepared or retained.

Recommendation - To improve financial accountability and control, a monthly reconciliation of the book to bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. Bank reconciliations should be reviewed by an independent person and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response - Beginning in April 2015, monthly bank reconciliations are being performed. The reconciliation report was not being printed. As of November 2015, the report is being printed and attached to each month’s bank statement which contains a list of outstanding checks.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits. The reconciliation is designed to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a City Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – As of January 2016, a delinquent account list has been reviewed at the monthly City Council meetings. The report includes customers with past due balances over \$200 (\$100 for renters), collection actions, payments and payment arrangements. A City Council member will initial the delinquent account list after it is reviewed at the monthly meeting. The City Clerk will reconcile utility billings, collections and delinquent accounts for each billing period and reconcile collections to deposits.

Conclusion – Response accepted.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

- (D) Initial Listing of Receipts – An initial listing of collections was not prepared.

Recommendation – An initial listing of collections should be prepared and compared to the bank deposit and the accounting records by an independent person. Evidence of the review should be documented.

Response – The City Council believes a list of mail receipts is a redundant task and adequate controls are in place to trace payments from receipt to deposit in the bank. City officials will perform unannounced reviews of receipts and trace them through to general ledger, to the deposit slip, to the bank account and to the validated copy of the deposit slip.

Conclusion – Response acknowledged. Independent reviews should be documented.

- (E) Credit Card – The City has a credit card for use by employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The City will adopt a formal written policy regulating the use of City credit cards by June 1, 2016.

Conclusion – Response accepted.

- (F) Change Fund – The City maintains a change fund for which no authorization could be located. In addition, cash on hand is not verified by surprise counts by an independent person.

Recommendation – The City change fund should be formally authorized by the City Council. Also, an independent person who is not the custodian of the change fund should periodically verify and document the cash on hand.

Response - The City Council has set an amount of \$100 to be maintained as a change fund. Unannounced counts will be periodically performed by City officials to ensure the amount in the change fund equals \$100.

Conclusion – Response accepted.

- (G) Mondamin Fire and Rescue Disbursements – Mondamin Fire and Rescue maintains a separate checking account. Disbursements tested were not properly cancelled to prevent reuse.

Recommendation – Mondamin Fire and Rescue should properly cancel invoices once they are paid to prevent reuse.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

Response - Mondamin Fire and Rescue will cancel invoices once they are paid by stamping them "PAID" with the date and check number.

Conclusion - Response accepted.

- (H) Payroll - Employee wages were not approved or documented in the City Council minutes. Also, time cards did not include evidence of supervisory review and approval.

Recommendation - Employee wages should be approved by the City Council and documented in the minutes. Additionally, time cards should be reviewed and approved by supervisory personnel prior to processing payroll. Supervisory approval should be documented by the signature or initials of the supervisor and the date of approval.

Response - Bi-weekly time cards will be reviewed and initialed by a City official before a paycheck is created in the payroll system. Gross hourly wages for each fiscal year will be documented annually in the June claims report.

Conclusion - Response acknowledged. Employee wages should be approved and documented in the minutes.

- (I) Information Systems - The City does not have written policies for password privacy, confidentiality and internet usage.

Recommendation - The City should develop written policies addressing password privacy, confidentiality and internet usage.

Response - The City will have a computer system policy in place by June 1, 2016.

Conclusion - Response accepted.

- (J) Annual Financial Report - The City prepared the annual financial report for the fiscal year ended June 30, 2015. However, the report did not reconcile with the City's general ledger.

Recommendation - The Annual Financial Report should be completed, reconciled to the City's general ledger and filed as required by Chapter 384.22 of the Code of Iowa.

Response - The City will instruct the hired CPA to complete the Annual Financial Report on a cash basis for each fiscal year going forward.

Conclusion - Response accepted.

- (K) IPERS Withholdings - The City did not correctly withhold IPERS for two employees who earned in excess of \$300 in a quarter. In addition, the City paid \$205 in late fees and penalties due to the late submissions of IPERS remittances.

Recommendation - The City should contact the Iowa Public Employees Retirement System (IPERS) to resolve this matter.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

Response – One of the two employees who did not have IPERS withheld is no longer employed by the City and, therefore, is no longer an issue. The 2nd employee made correcting contributions to IPERS in March 2015 to remedy the situation. IPERS submissions have not been late since April 2015 and will be submitted by the 10th of the month going forward.

Conclusion – Response accepted.

- (L) Utility Billings - The City did not charge water or sewer rates in accordance with the City's ordinance. The City did not mail out utility bills in a timely manner. In addition, the City did not consistently apply the late payment penalty to all customers or enforce other collection procedures in accordance with City Code.

Recommendation - The City should ensure all charges are established by ordinance as required by Chapter 384.84 of the Code of Iowa and all customers are billed in accordance with established rates. In addition, the City should ensure late payment penalties and other collection procedures are applied consistently and enforced as required by City Code.

Response – As of May 2015, all utility bills have been prepared and mailed by the 10th of each month, which is the requirement listed in City Ordinance Title VI, Section 6-5-4. In addition, the City is now reviewing all delinquent utility accounts at the monthly City Council meetings and applying late payment penalties and collection procedures consistently.

Conclusion – Response accepted.

- (M) Transfers – Transfers are not approved by the City Council.

Recommendation – The City Council should approve all transfers and approval should be documented in the monthly meeting minutes.

Response – The City Council will approve all transfers and it will be documented in the meeting minutes.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Mondamin

Schedule of Findings

Year ended June 30, 2015

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the health and social services, culture and recreation, community and economic development, general government and debt service functions. 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.” Also, the City did not retain evidence of proof of publication of its certified budget.

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. Also, the City should retain evidence of proof of publication of its certified budget.

Response – Budget amendments will be submitted to the Department of Management if disbursements are going to exceed the budget. The City has the proofs of publication for the fiscal year 2015-16 and 2016-17 budgets and will maintain proof of publication for all future City budgets.

Conclusion – Response acknowledged. The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa.

- (2) Questionable Disbursements - No disbursements we believe 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 – No business transactions between the City and City officials or employees were noted.
- (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) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council went into closed session five times during fiscal year 2015. However, the City Council minutes did not document either an affirmative vote of two-thirds of the members of the City Council or all of the members present at the meeting and did not document the specific exemption as required by Chapter 21 of the Code of Iowa to go into closed session.

Also, monthly meeting minutes were not properly signed in accordance with Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 and Chapter 380.7 of the Code of Iowa.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

Response – The City will document a two-thirds vote to enter into closed session and document the specific information regarding the closed session. All monthly meeting minutes will now be properly signed in accordance with Chapter 380.7 of the Code of Iowa.

Conclusion – Response acknowledged. An affirmative vote of either two-thirds of all members of the City Council or all of the members present at the meeting to go into closed session should be documented.

- (7) Deposits and Investments – The City has not adopted a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should develop a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The major goals of the City are safety of investment principal, maintaining liquidity as needed, and investing with the goal of a reasonable return. With those goals in mind, the City will develop a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa by June 1, 2016.

Conclusion – Response accepted.

- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. The City, the Public Library and Mondamin Fire and Rescue do not retain electronic images of the back of cancelled checks.

Recommendation – The City, the Public Library and Mondamin Fire and Rescue should retain an image of both the front and back of each cancelled check as required.

Response – The City has requested copies of the fronts and backs of checks from the bank effective with the April 2016 statement.

Conclusion – Response accepted.

- (9) Financial Condition – At June 30, 2015, the City had deficit balances of \$19,968, \$133,658 and \$78,110 in the Debt Service Fund and the Enterprise, Water and Sewer Funds, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

City of Mondamin

Schedule of Findings

Year ended June 30, 2015

Response – Fiscal Year 2016-To-Date: Water Fund has a net profit of \$25,548. Sewer Fund has a net loss of \$8,428, primarily from the repairs on 2 sewer pumps in the amount of \$15,320. It is recognized that Debt Service must be adequately covered by property taxes levied for the purpose of Debt Service disbursements so as not to cause a deficit in any fiscal year. However, the fiscal year 2017 budget has already been approved as well as the tax levy. Therefore, in early 2017, the City Council will review the tax levy for fiscal year 2018 and determine if property taxes need to be increased to meet the Debt Service needs of the city.

Conclusion – Response acknowledged. The City should take immediate steps to reduce and eventually eliminate these deficits.

- (10) Separately Maintained Records – The Public Library maintains bank accounts separate from the City Clerk’s accounting records. The transactions and resulting balances were not included in the City’s accounting records. However, they are included in the City’s annual budget and annual financial report.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be included in the city’s accounting records.

Response – We will discuss this with the Library.

Conclusion – Response accepted.


- (11) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Mondamin

Staff

This audit was performed by:

Ernest H. Ruben, CPA, Manager  
Ryan J. Pithan, Senior Auditor  
Colton L. Barton, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State