



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

Rob Sand  
Auditor of State

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Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

Contact: Ernest Ruben  
515/281-5834

FOR RELEASE

March 25, 2022

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$7,041,589 for the year ended June 30, 2021, a 9.3% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$6,887,278, a 12.0% decrease from the prior year. The increase in receipts is due primarily to an increase in Tax Increment Financing receipts. The decrease in disbursements is due primarily to a decrease in disbursements for street and trail projects.

**AUDIT FINDINGS:**

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 58 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 disaster recovery plan, related party transactions and the lack of a City ordinance establishing the solid waste rate. Sand provided the City and the component units with recommendations to address each of the findings.

Nine of the findings discussed above are repeated from the prior year. The City Council and has a fiduciary responsibility to provide oversight of the City's 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, 2021**

**City of Monticello**



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Rob Sand  
Auditor of State

March 7, 2022

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, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

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 2022
Dave Goedken	Mayor Pro Tem	Jan 2022
Candy Langerman	Council Member	Jan 2022
Tom Yeoman	Council Member	Jan 2022
Scott Brighton	Council Member	Jan 2024
Brenda Hanken	Council Member	Jan 2024
Chris Lux	Council Member	Jan 2024
Russell Farnum	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, 2021, 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, 2021, 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.

## Emphasis of a Matter

As discussed in Note 16 to the financial statements, the City of Monticello adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

## 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, 2020 (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 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2022 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  
Chief Deputy Auditor of State

March 7, 2022

**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, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,854,396	291,360	240,905	-
Public works	847,893	127,377	577,445	7,455
Culture and recreation	792,640	159,959	56,610	-
Community and economic development	234,215	1,669	-	-
General government	543,423	103,004	78,389	-
Debt service	888,710	-	2,442	-
Capital projects	338,436	41,319	10,421	47,640
Total governmental activities	5,499,713	724,688	966,212	55,095
Business type activities:				
Water	269,188	479,048	-	-
Sewer	528,120	623,818	-	-
Sanitation	582,348	581,406	-	-
Storm water	7,909	29,796	-	-
Total business type activities	1,387,565	1,714,068	-	-
Total primary government	\$ 6,887,278	2,438,756	966,212	55,095
<b>Component Unit:</b>				
Monticello Firefighter's Organization	\$ 85,492	-	99,854	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Utility franchise fees				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Sale of capital assets				
Miscellaneous				
Loan proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Permanent fund purposes				
Expendable:				
Streets				
Debt service				
Library purposes				
Customer deposits				
Fire purposes				
Employee benefits				
Capital projects				
Equipment set-aside				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit Monticello Firefighter's Organization
Primary Government		Total	
Governmental Activities	Business Type Activities		
(1,322,131)	-	(1,322,131)	
(135,616)	-	(135,616)	
(576,071)	-	(576,071)	
(232,546)	-	(232,546)	
(362,030)	-	(362,030)	
(886,268)	-	(886,268)	
(239,056)	-	(239,056)	
(3,753,718)	-	(3,753,718)	
-	209,860	209,860	
-	95,698	95,698	
-	(942)	(942)	
-	21,887	21,887	
-	326,503	326,503	
(3,753,718)	326,503	(3,427,215)	

14,362

1,513,787	-	1,513,787	-
392,813	-	392,813	-
589,831	-	589,831	-
448,982	-	448,982	-
19,703	-	19,703	-
227,143	-	227,143	-
62,129	-	62,129	-
20,261	7,229	27,490	6,085
66,595	-	66,595	-
173,228	-	173,228	-
-	59,825	59,825	-
239,113	(239,113)	-	-
3,753,585	(172,059)	3,581,526	6,085
(133)	154,444	154,311	20,447
3,861,693	503,150	4,364,843	277,098
\$ 3,861,560	657,594	4,519,154	297,545

\$ 292,680	-	292,680	-
563,091	-	563,091	-
190,021	-	190,021	-
245,205	-	245,205	-
-	94,091	94,091	-
-	-	-	297,545
385,678	-	385,678	-
706,440	-	706,440	-
-	23,354	23,354	-
180,389	-	180,389	-
1,298,056	540,149	1,838,205	-
\$ 3,861,560	657,594	4,519,154	297,545

City of Monticello

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

As of and for the year ended June 30, 2021

	Special		
	General	Urban Renewal Tax Increment	Road Use Tax
Receipts:			
Property tax	\$ 1,054,020	-	-
Tax increment financing	-	589,831	-
Local Option Sales Tax	448,982	-	-
Other city tax	49,779	-	-
Licenses and permits	236,443	-	-
Use of money and property	234,901	2,728	65
Intergovernmental	249,740	-	568,118
Charges for service	396,439	-	-
Special assessments	-	-	-
Miscellaneous	176,383	-	89
Total receipts	<u>2,846,687</u>	<u>592,559</u>	<u>568,272</u>
Disbursements:			
Operating:			
Public safety	1,552,390	-	-
Public works	178,594	-	603,059
Culture and recreation	631,622	-	-
Community and economic development	-	234,215	-
General government	491,084	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,853,690</u>	<u>234,215</u>	<u>603,059</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(7,003)</u>	<u>358,344</u>	<u>(34,787)</u>
Other financing sources (uses):			
Sale of capital assets	56,250	-	10,345
Transfers in	25,385	-	-
Transfers out	(77,680)	(286,582)	-
Total other financing sources (uses)	<u>3,955</u>	<u>(286,582)</u>	<u>10,345</u>
Change in cash balances	(3,048)	71,762	(24,442)
Cash balances beginning of year	1,390,463	822	587,533
Cash balances end of year	<u>\$ 1,387,415</u>	<u>72,584</u>	<u>563,091</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Permanent Funds	\$ -	-	-
Restricted for:			
Streets	-	-	563,091
Debt service	-	72,584	-
Library purposes	32,002	-	-
Employee benefits	-	-	-
Capital projects	-	-	-
Other purposes	57,357	-	-
Assigned for:			
Capital equipment	37,264	-	-
Unassigned	<u>1,260,792</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,387,415</u>	<u>72,584</u>	<u>563,091</u>

See notes to financial statements.

Revenue				
Employee Benefits	Debt Service	Capital Projects	Nonmajor	Total
417,791	383,442	-	-	1,855,253
-	-	-	-	589,831
-	-	-	-	448,982
11,900	9,371	-	-	71,050
-	-	700	-	237,143
4,296	2,442	8,687	4,955	258,074
14,669	11,334	111,268	-	955,129
-	-	-	-	396,439
-	-	40,619	-	40,619
-	-	63,396	101,484	341,352
448,656	406,589	224,670	106,439	5,193,872
264,137	-	-	37,869	1,854,396
66,240	-	-	-	847,893
89,341	-	-	71,677	792,640
-	-	-	-	234,215
52,339	-	-	-	543,423
-	888,710	-	-	888,710
-	-	338,436	-	338,436
472,057	888,710	338,436	109,546	5,499,713
(23,401)	(482,121)	(113,766)	(3,107)	(305,841)
-	-	-	-	66,595
-	500,310	77,680	-	603,375
-	-	-	-	(364,262)
-	500,310	77,680	-	305,708
(23,401)	18,189	(36,086)	(3,107)	(133)
409,079	99,248	742,526	632,022	3,861,693
385,678	117,437	706,440	628,915	3,861,560
-	-	-	292,680	292,680
-	-	-	-	563,091
-	117,437	-	-	190,021
-	-	-	213,203	245,205
385,678	-	-	-	385,678
-	-	706,440	-	706,440
-	-	-	123,032	180,389
-	-	-	-	37,264
-	-	-	-	1,260,792
385,678	117,437	706,440	628,915	3,861,560



**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, 2021

	Enterprise					Internal
	Water	Sewer	Sanitation	Storm Water	Total	Service Self Insurance
Operating receipts:						
Charges for service	\$ 462,417	621,444	579,925	29,796	1,693,582	17,703
Miscellaneous	16,631	2,374	1,481	-	20,486	-
Total operating receipts	479,048	623,818	581,406	29,796	1,714,068	17,703
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	4,499
Public works	-	-	-	-	-	2,615
Culture and recreation	-	-	-	-	-	659
General government	-	-	-	-	-	5,804
Business type activities	262,252	512,862	582,348	7,909	1,365,371	4,126
Total operating disbursements	262,252	512,862	582,348	7,909	1,365,371	17,703
Excess (deficiency) of operating receipts over (under) operating disbursements	216,796	110,956	(942)	21,887	348,697	-
Non-operating receipts:						
Interest on investments	2,393	4,019	725	92	7,229	-
Capital outlay	(6,936)	(15,258)	-	-	(22,194)	-
Iowa Finance Authority loan proceeds	-	59,825	-	-	59,825	-
Net non-operating receipts (disbursements)	(4,543)	48,586	725	92	44,860	-
Excess of receipts over (under) disbursements	212,253	159,542	(217)	21,979	393,557	-
Transfers in	-	1,056	-	-	1,056	-
Transfers out	(128,265)	(94,637)	-	(17,267)	(240,169)	-
Total transfers	(128,265)	(93,581)	-	(17,267)	(239,113)	-
Change in cash balances	83,988	65,961	(217)	4,712	154,444	-
Cash balances beginning of year	161,850	238,198	103,102	-	503,150	-
Cash balances end of year	\$ 245,838	304,159	102,885	4,712	657,594	-
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Customer deposits	\$ 94,091	-	-	-	94,091	-
Equipment set-aside	14,845	-	8,509	-	23,354	-
Unrestricted	136,902	304,159	94,376	4,712	540,149	-
Total cash basis fund balances	\$ 245,838	304,159	102,885	4,712	657,594	-

See notes to financial statements.

City of Monticello

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

As of and for the year ended June 30, 2021

	<u>Custodial</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ 1,000
Deductions:	
Medical reimbursements	<u>1,900</u>
Net change in cash balance	(900)
Cash balance beginning of year	<u>1,169</u>
Cash balance end of year	<u>\$ 269</u>

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2021

**(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, sanitation and storm water utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Blended Component Units

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

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

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

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

#### Jointly Governed Organizations

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City also reports the following 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 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. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2021 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**

A summary of changes in long-term debt for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,130,000	-	780,000	3,350,000	550,000
Installment purchase agreements - direct borrowings	125,572	-	32,968	92,604	33,414
Governmental activities total	<u>\$ 4,255,572</u>	<u>-</u>	<u>812,968</u>	<u>3,442,604</u>	<u>583,414</u>
Business type activities:					
Sewer revenue loan - direct borrowing	\$ -	59,825	-	59,825	-

## General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	General Obligation Bonds					
	Issued Oct 21, 2014			Issued May 17, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.25%	\$ 170,000	12,750	1.30%	\$ 150,000	12,758
2023	2.50	170,000	8,925	1.45	155,000	10,808
2024	2.75	170,000	4,675	1.60	155,000	8,560
2025				1.80	160,000	6,080
2026				2.00	160,000	3,200
2027-2029						
Total		<u>\$ 510,000</u>	<u>26,350</u>		<u>\$ 780,000</u>	<u>41,406</u>

Year Ending June 30,	General Obligation Bonds					
	Issued May 15, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.00%	\$ 230,000	62,861	\$ 550,000	88,369	638,369
2023	3.00	240,000	56,398	565,000	76,131	641,131
2024	3.00	245,000	49,534	570,000	62,769	632,769
2025	3.00	255,000	42,380	415,000	48,460	463,460
2026	3.00	260,000	34,781	420,000	37,981	457,981
2027-2029	3.00	830,000	54,715	830,000	54,715	884,715
Total		<u>\$ 2,060,000</u>	<u>300,669</u>	<u>\$ 3,350,000</u>	<u>368,425</u>	<u>3,718,425</u>

On June 1, 2010, the City issued \$1,310,000 of general obligation bonds with interest rates ranging from 1.00% to 3.60% per annum. The bonds were issued to refund the 2002 Sewer Revenue Bonds. During the year ended June 30, 2021, the City paid the remaining \$140,000 of principal and \$5,040 of interest on the bonds.

On October 21, 2014, the City issued \$1,595,000 of general obligation bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were issued for the purpose of paying the costs of designing and constructing street, bridge, and sanitary sewer system improvements, installing street lighting improvements, and making improvements to existing municipal parks. During the year ended June 30, 2021, the City paid \$265,000 of principal and \$18,713 of interest on the bonds.

On May 17, 2016, the City issued \$2,640,000 of general obligation bonds with interest rates ranging from 0.75% to 2.00% per annum. The bonds were issued for the purpose of refunding the 2008 sewer revenue bonds and the 2008 general obligation bonds. During the year ended June 30, 2021, the City paid \$150,000 of principal and \$14,558 of interest on the bonds.

On May 15, 2019, the City issued \$2,500,000 of general obligation bonds with interest rates of 3.00% per annum. The bonds were issued for the purpose of paying the costs of constructing street, water system, sanitary sewer system, sidewalk and storm water drainage improvements and installing street lighting, signage and signalization. During the year ended June 30, 2021, the City paid \$225,000 of principal and \$68,550 of interest on the bonds.



Installment and Lease Purchase Agreements – Direct Borrowing

A summary of the City’s June 30, 2021 installment purchase agreements is as follows:

Year	Airport Terminal Building			Airport Hangars		
	Apr 25, 2011			Feb 17, 2020		
Ending	Interest			Interest		
June 30,	Rates	Principal	Interest	Rates	Principal	Interest
2022	4.00%	\$ 10,000	400	5.00%	\$ 12,000	2,400
2023		-	-	5.00	12,000	1,800
2024		-	-	5.00	12,000	1,200
2025		-	-	5.00	12,000	600
Total		\$ 10,000	400		\$ 48,000	6,000

Year	Utility Work Vehicle			Total		
	Mar 2, 2020					
Ending	Interest					
June 30,	Rates	Principal	Interest	Principal	Interest	Total
2022	3.99%	\$ 11,414	1,173	\$ 33,414	3,973	37,387
2023	3.99	11,878	710	23,878	2,510	26,388
2024	3.99	11,312	227	23,312	1,427	24,739
2025		-	-	12,000	600	12,600
Total		\$ 34,604	2,110	\$ 92,604	8,510	101,114

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

The agreement commenced July 1, 2011 and requires annual payments of \$10,000 plus interest at 4.00% per annum on the unpaid balance. During the year ended June 30, 2021, the City paid principal of \$10,000 and interest of \$802 on the agreement.

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

The agreement commenced March 1, 2020 and requires annual payments of \$12,000 plus interest at 5.00% per annum on the unpaid balance. During the year ended June 30, 2021, the City paid principal of \$12,000 and interest of \$3,000 on the agreement.

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

The agreement commenced May 1, 2020 and requires annual payments of \$12,587 including interest at 3.99% per annum on the unpaid balance. During the year ended June 30, 2021, the City paid principal of \$10,968 and interest of \$1,619 of the agreement.

Sewer Revenue Loan – Direct Borrowing

A summary of the City’s June 30, 2021 sewer revenue loan payable is as follows:

Year	Sewer Revenue Loan	
	Mar 19, 2021	
Ending	Principal	
June 30,		
2022	\$	-
2023		-
2024		59,825
2025		-
Total	\$	<u>59,825</u>

On March 19, 2021, the City entered into a loan agreement with the Iowa Finance Authority (IFA) for the issuance of sewer revenue bonds of up to \$595,000 with a 0% interest rate. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The loan was issued pursuant to the provisions of Chapter 384.24A to finance costs in connection with planning and designing improvements and extensions to the Municipal Sanitary Sewer System. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2021, the City had drawn down \$59,825 of the authorized amount. The total amount borrowed is due in full three years from the date of the agreement. As of June 30, 2021, the City had borrowed \$59,825 as a part of this agreement. During the year ended June 30, 2021, the City did not make any payments on the loan.

**(4) Pension Plan**

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$151,422.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$732,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City's proportion was 0.010433%, which was an increase of 0.001532% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$201,486, \$276,488 and \$136,560, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 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 2020 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
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 (Asset) to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability (asset) 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)	\$ 1,653,187	732,910	(38,168)

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

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

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$206,206 and plan members eligible for benefits contributed \$22,227 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

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

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, 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, 2021, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 63,000
Compensatory time	3,000
Holiday	8,000
Total	<u>\$ 74,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

**(7) Risk Management**

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

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

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

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

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

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

**(8) Urban Renewal Project Agreements**

The City has entered into various tax increment financing development agreements for urban renewal projects. The agreements require the City to provide incremental property tax payments to developers in exchange for infrastructure improvements and development of commercial projects by the developers. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating developer will be rebated for a period of 10 years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements are expected to end by fiscal year 2031. Certain agreements require the City to make grant payments, subject to timing and performance requirements as set forth in the agreements. The total rebates and grants to be paid by the City under the agreements is not to exceed \$4,490,175. The total amount rebated and granted during the year ended June 30, 2021 was \$234,215. The total cumulative amount rebated and granted since inception of the existing agreements is \$1,310,529. 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, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 20,385
	Storm Water	5,000
		<u>25,385</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	286,582
	Enterprise:	
	Water	107,880
	Sewer	94,637
	Storm Water	11,211
		<u>500,310</u>
Capital Projects	General	
	General	77,680
		<u>77,680</u>
Total		<u>\$ 603,375</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 \$336,619 during the year ended June 30, 2021.

**(12) Revolving Loan Fund**

In 2001, the City established a revolving loan account within the General Fund to provide loans to promote economic development within the City. The account was established with proceeds from an economic development RISE grant. At June 30, 2021, there were no active loans.

**(13) Interfund Loans**

The detail of the interfund loan at June 30, 2021 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Enterprise, Water	General	\$ 20,385
Enterprise, Storm Water	General	<u>28,586</u>
		<u>\$ 48,971</u>

On July 15, 2019, the City approved an interfund loan from the General Fund to the Water Operating Fund for \$40,770 and the Storm Water Fund for \$33,586 to eliminate deficit balances. The deficit balances were caused by engineering fees related to the 6<sup>th</sup> street ditch project and repairs to the West well. These loans are to be repaid through transfers from the Water Operating Fund and the Storm Water Fund, as receipts of those funds become available. During the year ended June 30, 2021, \$20,385 was repaid to the General Fund from the Water Fund, and \$5,000 was repaid to the General Fund from the Storm Water Fund.

**(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, 2021, \$96,154 of property tax was diverted from the City under the urban renewal and economic development agreements.



**(15) COVID-19**

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

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

**(16) Accounting Change**

Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. The impact to the City of Monticello was to rename “Agency Funds” to Custodial Funds” in accordance with the GASBS.

**(17) Prospective Accounting Changes**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

**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, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,855,253	-	-
Tax increment financing	589,831	-	-
Other city tax	520,032	-	-
Licenses and permits	237,143	-	-
Use of money and property	258,074	7,229	749
Intergovernmental	955,129	-	-
Charges for service	396,439	1,693,582	-
Special assessments	40,619	-	-
Miscellaneous	341,352	20,486	96,432
Total receipts	<u>5,193,872</u>	<u>1,721,297</u>	<u>97,181</u>
Disbursements:			
Public safety	1,854,396	-	37,869
Public works	847,893	-	-
Culture and recreation	792,640	-	64,736
Community and economic development	234,215	-	-
General government	543,423	-	-
Debt service	888,710	-	-
Capital projects	338,436	-	-
Business type activities	-	1,365,371	-
Total disbursements	<u>5,499,713</u>	<u>1,365,371</u>	<u>102,605</u>
Excess (deficiency) of receipts over (under) disbursements	(305,841)	355,926	(5,424)
Other financing sources (uses), net	305,708	(202,538)	-
Change in balances	(133)	153,388	(5,424)
Balances beginning of year	<u>3,861,693</u>	<u>503,150</u>	<u>135,385</u>
Balances end of year	<u>\$ 3,861,560</u>	<u>656,538</u>	<u>129,961</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Net Variance
1,855,253	1,838,775	1,838,775	16,478
589,831	600,000	600,000	(10,169)
520,032	386,757	421,908	98,124
237,143	249,350	249,850	(12,707)
264,554	270,170	264,993	(439)
955,129	714,157	960,780	(5,651)
2,090,021	2,063,050	2,082,614	7,407
40,619	17,000	43,000	(2,381)
265,406	280,358	284,761	(19,355)
6,817,988	6,419,617	6,746,681	71,307
1,816,527	1,803,436	2,178,334	361,807
847,893	758,839	1,118,518	270,625
727,904	796,240	926,758	198,854
234,215	244,806	234,324	109
543,423	572,639	697,611	154,188
888,710	888,861	888,861	151
338,436	363,000	337,334	(1,102)
1,365,371	1,801,388	1,847,387	482,016
6,762,479	7,229,209	8,229,127	1,466,648
55,509	(809,592)	(1,482,446)	1,537,955
103,170	325,000	363,605	(260,435)
158,679	(484,592)	(1,118,841)	1,277,520
4,229,458	2,558,218	2,558,218	1,671,240
4,388,137	2,073,626	1,439,377	2,948,760

**City of Monticello**

City of Monticello

Notes to Other Information – Budgetary Reporting

June 30, 2021

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 Custodial 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, budget amendments increased budgeted disbursements by \$999,910. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021 disbursements in the capital projects function exceeded the amount budgeted before the first budget amendment was approved and at year end.

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City of Monticello

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.010433%	0.008901%	0.010570%	0.011098%
City's proportionate share of the net pension liability	\$ 733	515	669	739
City's covered payroll	\$ 1,530	1,512	1,496	1,481
City's proportionate share of the net pension liability as a percentage of its covered payroll	47.91%	34.06%	44.72%	49.90%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.60%	82.21%

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

See accompanying independent auditor's report.

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2017	2016	2015
0.010692%	0.008820%	0.007086%
673	436	281
1,386	1,400	1,381
48.56%	31.14%	20.35%
81.82%	85.19%	87.61%



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City of Monticello

Schedule of City Contributions

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

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 151	148	149	140
Contributions in relation to the statutorily required contribution	<u>(151)</u>	<u>(148)</u>	<u>(149)</u>	<u>(140)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,589	1,530	1,512	1,496
Contributions as a percentage of covered payroll	9.50%	9.67%	9.85%	9.36%

See accompanying independent auditor's report.

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2017	2016	2015	2014	2013	2012
139	130	133	131	126	116
(139)	(130)	(133)	(131)	(126)	(116)
-	-	-	-	-	-
1,481	1,386	1,400	1,381	1,331	1,296
9.39%	9.38%	9.50%	9.49%	9.47%	8.95%

City of Monticello

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

**Supplementary Information**

City of Monticello

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

As of and for the year ended June 30, 2021

				Special
				Monticello
	Police	Slavka	Riverside	Emergency
	Forfeiture	Gehret	Gardeners,	Medical
		Trust	Inc.	Team
Receipts:				
Use of money and property	\$ 14	2,433	65	684
Miscellaneous	-	-	14,467	29,118
Total receipts	14	2,433	14,532	29,802
Disbursements:				
Operating:				
Public safety	-	-	-	37,869
Culture and recreation	-	3,182	4,394	-
Total disbursements	-	3,182	4,394	37,869
Change in cash balances	14	(749)	10,138	(8,067)
Cash balances beginning of year	1,154	205,855	9,594	61,458
Cash balances end of year	\$ 1,168	205,106	19,732	53,391
<b>Cash Basis Fund Balances</b>				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Library purposes	-	205,106	-	-
Other purposes	1,168	-	19,732	53,391
Total cash basis fund balances	\$ 1,168	205,106	19,732	53,391

See accompanying independent auditor's report.

Revenue		Permanent			Total
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	
-	-	-	775	984	4,955
5,806	47,041	5,052	-	-	101,484
5,806	47,041	5,052	775	984	106,439
-	-	-	-	-	37,869
2,925	57,417	-	1,739	2,020	71,677
2,925	57,417	-	1,739	2,020	109,546
2,881	(10,376)	5,052	(964)	(1,036)	(3,107)
5,216	59,117	166,647	39,125	83,856	632,022
8,097	48,741	171,699	38,161	82,820	628,915
-	-	171,699	38,161	82,820	292,680
8,097	-	-	-	-	213,203
-	48,741	-	-	-	123,032
8,097	48,741	171,699	38,161	82,820	628,915

City of Monticello

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

For the Last Ten Years

	2021	2020	2019	2018
<b>Receipts:</b>				
Property tax	\$ 1,855,253	1,911,489	1,708,332	1,675,454
Tax increment financing	589,831	237,047	701,595	677,167
Local Option Sales Tax	448,982	375,407	320,996	303,276
Other city tax	71,050	74,124	67,297	67,491
Licenses and permits	237,143	253,329	268,185	256,577
Use of money and property	258,074	288,047	295,977	227,020
Intergovernmental	955,129	784,095	1,069,450	1,842,509
Charges for service	396,439	329,736	342,780	419,282
Special assessments	40,619	71,463	7,043	28,750
Miscellaneous	341,352	411,276	375,431	356,557
<b>Total</b>	<b>\$ 5,193,872</b>	<b>4,736,013</b>	<b>5,157,086</b>	<b>5,854,083</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,854,396	1,401,631	1,353,932	1,406,420
Public works	847,893	662,433	983,896	560,099
Culture and recreation	792,640	863,631	859,634	707,194
Community and economic development	234,215	228,608	158,874	152,717
General government	543,423	445,116	422,457	402,548
Debt service	888,710	890,953	1,155,893	1,146,258
Capital projects	338,436	2,064,298	945,687	2,007,692
<b>Total</b>	<b>\$ 5,499,713</b>	<b>6,556,670</b>	<b>5,880,373</b>	<b>6,382,928</b>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
1,614,852	1,507,823	1,418,243	1,359,156	1,207,353	1,196,924
687,017	697,082	705,038	707,631	954,563	715,234
321,671	318,789	331,227	294,450	313,805	288,736
59,739	45,379	47,045	294,875	262,843	250,719
240,231	236,417	257,563	23,739	15,898	12,521
219,114	211,953	199,545	182,975	195,688	169,191
984,472	656,846	613,988	1,785,111	860,934	1,148,043
378,155	421,657	442,108	513,066	538,875	581,031
8,625	10,245	8,841	25,545	33,067	32,125
345,414	322,355	593,478	496,566	398,060	548,260
4,859,290	4,428,546	4,617,076	5,683,114	4,781,086	4,942,784
1,264,186	1,301,333	1,314,857	1,314,483	1,554,299	1,418,347
513,294	505,104	472,415	567,227	523,740	476,325
709,030	684,872	650,097	714,327	565,742	575,555
154,145	160,185	138,630	115,893	143,022	75,855
388,120	447,938	425,395	437,104	437,900	430,613
1,080,718	978,276	1,031,717	1,186,490	1,128,656	1,317,865
1,427,765	1,578,911	777,768	1,719,321	1,716,184	1,848,696
5,537,258	5,656,619	4,810,879	6,054,845	6,069,543	6,143,256





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STATE OF IOWA**

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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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 7, 2022. 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 as a basis for designing 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 certain deficiencies in internal control we consider to be a material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Monticello's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) through (J) 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 financial statements. 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, 2021 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.

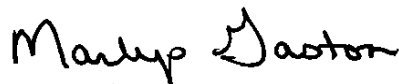
### The City of Monticello's Responses to the Findings

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  
Chief Deputy Auditor of State

March 7, 2022

City of Monticello

Schedule of Findings

Year ended June 30, 2021

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

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

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

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

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

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

City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

Conclusion – Response accepted.

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

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

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

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

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

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

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

Conclusion – Response accepted.

(C) Computer System Policies

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

Condition – The City does not have written policies for:

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

City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

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

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

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

Conclusion – Response accepted.

(D) Disaster Recovery Plan

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

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

City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

Conclusion – Response accepted.

(E) Berndes Recreation Center

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

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

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

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

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

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

Conclusion – Response accepted.

(F) Receipts

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

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

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

City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

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

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

Conclusion – Response accepted.

(G) Transfers

Criteria – Transfers should be recorded in the City’s accounting records for the amounts approved by the City Council.

Condition – Three transfers between funds were made for amounts less than what was approved by the City Council.

Cause – Policies have not been established and procedures have not been implemented to ensure that transfers are recorded for the amounts that are approved by the City Council.

Effect – Lack of policies and procedures can result in transfers not being made to adequately address the financial needs of the City.

Recommendation – Transfers should be made for the same amount that is approved by the City Council.

Response – We will make all transfers between funds for the amounts approved by the City Council.

Conclusion – Response accepted.

(H) Friends of the Monticello Public Library

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

Condition – The same individual records receipts, prepares deposits, and makes deposits. The same individual also prepares and signs checks. Also, there is no bank reconciliation being prepared.

City of Monticello

Schedule of Findings

Year ended June 30, 2021

Cause – The Friends of the Library have a limited number of volunteers and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes. Also, procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting.

Effect - Inadequate segregation of duties could adversely affect the Friends of the Library's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions. The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Friends of the Library should segregate accounting duties to the extent possible. Also, monthly bank reconciliations should be performed and reconciled to book balances. The reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

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

Conclusion – Response accepted.

(I) Monticello Firefighters' Organization, Inc.

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

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

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

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

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



City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

Conclusion – Response accepted.

(J) Monticello Emergency Medical Team

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Monticello Emergency Medical Team financial statements. Also, an effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – The same individual records receipts, prepares deposits, and makes deposits. The same individual also prepares and signs checks. Also, while a bank reconciliation is being prepared, there is no independent review of the bank reconciliation.

Cause – The Monticello Emergency Medical Team has a limited number of volunteers and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes. Also, procedures have not been designed and implemented to ensure all bank reconciliations are independently reviewed.

Effect – Inadequate segregation of duties could adversely affect the Monticello Emergency Medical Team’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions. The lack of independent review of the monthly bank reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Monticello Emergency Medical Team should segregate accounting duties to the extent possible. Also, monthly bank reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – City staff will communicate this finding to the Monticello Emergency Medical Team. City staff will offer our services and guidance to help the Emergency Medical Team address segregation of duties concerned outlined here.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2021

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the Capital Projects function prior to a budget amendment and at year end. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Monticello Aviation, Inc.	Reimbursement for purchase of frames for certificates presented to Airport Board members	\$ 45

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

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

Response – The City will establish policies and procedures for documenting the public purpose of such expenditures going forward.

Conclusion – Response accepted.

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

City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

Name, Title and Business Connection	Transaction Description	Amount
Dave Savage, Airport Advisory Board Member, owner of Insurance Associates, Inc.	Insurance	\$ 245,976
Nathan Spahr, Fire Department Volunteer, employee of Monticello Community School District	Fuel and other supplies	33,362
Kim Brooks, Library Board Member, employee of Monticello Express	Library	19,310
Trent Adams, Planning & Zoning Board of Adjustments, Next Generation Plumbing & Heating	Services	15,945
Johnny Russ, Fire Department volunteer, employee of Spahn and Rose Lumber Company	Supplies	11,678
Molli Jenn Hunter, City employee DBA D&D Services	Services	10,348

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with Nathan Spahr and Johnny Russ do not represent a conflict of interest, since these individuals are volunteer fire fighters. Also, the transactions with Monticello Express do not appear to represent a conflict of interest, since Kim Brooks’ remuneration of employment is not directly affected as a result of the contract and her duties of employment do not directly involve the procurement or preparation of any part of the contract.

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

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

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

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

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Monticello

Schedule of Findings

Year ended June 30, 2021

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

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

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

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

- (8) City Council Minutes – Except as noted in item 11 below, no transactions were found that we believe should have been approved in the City Council minutes but were not. The minutes publications did not include a summary of total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

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

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

Conclusion – Response accepted.

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

- (10) Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

- (11) Employee Hiring – Chapter 21.03 of the City’s Code of Ordinances states that the City Administrator may hire employees after consultation with appropriate department heads and the City Council. While written approval is required to add or delete employees from payroll, there is no evidence of conference with the City Council in accordance with Chapter 21.03 of the City’s Code of Ordinances.

Recommendation – The City administrator should consult with the appropriate department heads and City Council before the hiring of all City employees, as required. Also, this consultation should be documented by the City.

City of Monticello

Schedule of Findings

Year ended June 30, 2021

Response – We will develop procedures to have the City Council approve all hirings and wage rates for hired employees.

Conclusion – Response accepted.

City of Monticello

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Chief Deputy  
Janet K. Mortvedt, CPA, Manager  
Brett S. Gillen, CPA, Senior Auditor  
Charlie P. Duff, Staff Auditor  
Tristan Abalos, Intern Auditor