



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
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FOR RELEASE

September 12, 2023

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$8,680,558 for the year ended June 30, 2022, a 23.3% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$7,692,546, an 11.7% increase over the prior year. The increase in receipts is due primarily to an increase in federal grants, tax increment financing receipts, and utility rate increases. The increase in disbursements is due primarily to an increase for streets and sewer projects.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 50 through 60 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 donations to nonprofits and other governments. Sand provided the City with recommendations to address each of the findings.

Seven of the findings discussed above are repeated from the prior year. The City Council 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 website at [Audit Reports – Auditor of State](#).

###

CITY OF MONTICELLO

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

JUNE 30, 2022

City of Monticello



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

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Rob Sand
Auditor of State

August 23, 2023

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, 2022. 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

(Before January 2022)

<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

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Goedken	Mayor	Jan 2024
Chris Lux	Mayor Pro Tem	Jan 2024
Scott Brighton	Council Member	Jan 2024
Brenda Hanken	Council Member	Jan 2024
Candy Langerman	Council Member	Jan 2026
Wayne Peach	Council Member	Jan 2026
Tom Yeoman	Council Member	Jan 2026
Russell Farnum	City Administrator	Indefinite
Sally Hinrichsen	City Clerk/Treasurer	Indefinite
Cheryl Clark	Deputy City Clerk	Indefinite
Douglas Herman	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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Monticello, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, each major fund and the aggregate remaining fund information of the City of Monticello as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Monticello, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City of Monticello adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Monticello's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Monticello's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Monticello's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. 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. Such 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. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 34 through 42 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2023 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 23, 2023

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, 2022

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,593,619	359,922	201,140	-
Public works	937,821	142,111	577,077	-
Culture and recreation	815,618	152,487	60,897	2,040
Community and economic development	243,670	1,096	-	-
General government	669,691	115,124	45,487	-
Debt service	639,158	-	2,743	-
Capital projects	847,041	35,706	6,135	194,911
Total governmental activities	5,746,618	806,446	893,479	196,951
Business type activities:				
Water	344,002	512,156	-	-
Sewer	1,011,831	1,040,974	-	-
Sanitation	557,281	633,851	-	-
Storm water	32,814	63,622	-	-
Total business type activities	1,945,928	2,250,603	-	-
Total primary government	\$ 7,692,546	3,057,049	893,479	196,951
Component Unit:				
Monticello Firefighter's Organization	\$ 59,163	-	102,560	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Utility franchise fees				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
American Rescue Plan Act				
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				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent fund purposes				
Expendable:				
Streets				
Debt service				
Library purposes				
Customer deposits				
Fire purposes				
Employee benefits				
Capital projects				
Equipment set-aside				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Monticello Firefighter's Organization
(1,032,557)	-	(1,032,557)	
(218,633)	-	(218,633)	
(600,194)	-	(600,194)	
(242,574)	-	(242,574)	
(509,080)	-	(509,080)	
(636,415)	-	(636,415)	
(610,289)	-	(610,289)	
(3,849,742)	-	(3,849,742)	
-	168,154	168,154	
-	29,143	29,143	
-	76,570	76,570	
-	30,808	30,808	
-	304,675	304,675	
(3,849,742)	304,675	(3,545,067)	
			43,397
1,516,465	-	1,516,465	-
377,620	-	377,620	-
714,143	-	714,143	-
555,669	-	555,669	-
34,681	-	34,681	-
274,105	-	274,105	-
61,029	-	61,029	-
26,336	10,246	36,582	6,069
290,075	-	290,075	-
540	-	540	-
169,320	-	169,320	-
-	502,850	502,850	-
72,989	(72,989)	-	-
4,092,972	440,107	4,533,079	6,069
243,230	744,782	988,012	49,466
3,861,560	657,594	4,519,154	297,545
\$ 4,104,790	1,402,376	5,507,166	347,011
\$ 294,434	-	294,434	-
436,853	-	436,853	-
458,683	50,049	508,732	-
247,349	-	247,349	-
-	100,315	100,315	-
-	-	-	347,011
297,457	-	297,457	-
638,678	-	638,678	-
-	69,791	69,791	-
183,222	-	183,222	-
1,548,114	1,182,221	2,730,335	-
\$ 4,104,790	1,402,376	5,507,166	347,011

City of Monticello

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

As of and for the year ended June 30, 2022

	Special Revenue			
	General	Urban Renewal Tax Increment	Road Use Tax	Employee Benefits
Receipts:				
Property tax	\$ 1,048,215	-	-	433,672
Tax increment financing	-	714,143	-	-
Local option sales tax	555,669	-	-	-
Other city tax	59,155	-	-	10,104
Licenses and permits	288,970	-	-	-
Use of money and property	259,523	3,821	1,159	-
Intergovernmental	284,334	-	552,380	14,827
Charges for service	460,258	-	-	-
Special assessments	-	-	-	-
Miscellaneous	168,214	-	1,553	-
Total receipts	3,124,338	717,964	555,092	458,603
Disbursements:				
Operating:				
Public safety	1,264,424	-	-	318,424
Public works	187,678	-	681,830	68,313
Culture and recreation	632,490	-	-	100,737
Community and economic development	-	243,670	-	-
General government	610,341	-	-	59,350
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	2,694,933	243,670	681,830	546,824
Excess (deficiency) of receipts over (under) disbursements	429,405	474,294	(126,738)	(88,221)
Other financing sources (uses):				
Sale of capital assets	40	-	500	-
Transfers in	30,385	-	-	-
Transfers out	(211,020)	(219,778)	-	-
Total other financing sources (uses)	(180,595)	(219,778)	500	-
Change in cash balances	248,810	254,516	(126,238)	(88,221)
Cash balances beginning of year	1,387,415	72,584	563,091	385,678
Cash balances end of year	\$ 1,636,225	327,100	436,853	297,457
Cash Basis Fund Balances				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Streets	-	-	436,853	-
Debt service	-	327,100	-	-
Library purposes	32,175	-	-	-
Employee benefits	-	-	-	297,457
Capital projects	-	-	-	-
Other purposes	55,936	-	-	-
Assigned for:				
Capital equipment	57,925	-	-	-
Unassigned	1,490,189	-	-	-
Total cash basis fund balances	\$ 1,636,225	327,100	436,853	297,457

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
370,422	-	-	1,852,309
-	-	-	714,143
-	-	-	555,669
7,198	-	-	76,457
-	400	-	289,370
2,743	11,389	4,482	283,117
10,559	323,892	-	1,185,992
-	-	-	460,258
-	35,306	-	35,306
-	197,272	96,659	463,698
390,922	568,259	101,141	5,916,319
-	-	10,771	1,593,619
-	-	-	937,821
-	-	82,391	815,618
-	-	-	243,670
-	-	-	669,691
639,158	-	-	639,158
-	847,041	-	847,041
639,158	847,041	93,162	5,746,618
(248,236)	(278,782)	7,979	169,701
-	-	-	540
262,382	211,020	-	503,787
-	-	-	(430,798)
262,382	211,020	-	73,529
14,146	(67,762)	7,979	243,230
117,437	706,440	628,915	3,861,560
131,583	638,678	636,894	4,104,790
-	-	294,434	294,434
-	-	-	436,853
131,583	-	-	458,683
-	-	215,174	247,349
-	-	-	297,457
-	638,678	-	638,678
-	-	127,286	183,222
-	-	-	57,925
-	-	-	1,490,189
131,583	638,678	636,894	4,104,790

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, 2022

	Enterprise					Internal Service Self Insurance
	Water	Sewer	Sanitation	Storm Water	Total	
Operating receipts:						
Charges for service	\$ 487,120	1,025,998	632,172	63,622	2,208,912	27,368
Miscellaneous	25,036	14,976	1,679	-	41,691	-
Total operating receipts	512,156	1,040,974	633,851	63,622	2,250,603	27,368
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	8,418
Public works	-	-	-	-	-	1,304
Culture and recreation	-	-	-	-	-	909
General government	-	-	-	-	-	5,994
Business type activities	344,002	565,481	557,281	32,814	1,499,578	10,743
Total operating disbursements	344,002	565,481	557,281	32,814	1,499,578	27,368
Excess of operating receipts over operating disbursements	168,154	475,493	76,570	30,808	751,025	-
Non-operating receipts (disbursements):						
Interest on investments	3,103	5,465	1,586	92	10,246	-
Iowa Finance Authority loan proceeds	-	502,850	-	-	502,850	-
Capital outlay	-	(446,350)	-	-	(446,350)	-
Net non-operating receipts (disbursements)	3,103	61,965	1,586	92	66,746	-
Excess of receipts over (under) disbursements	171,257	537,458	78,156	30,900	817,771	-
Transfers out	(45,100)	(6,676)	-	(21,213)	(72,989)	-
Change in cash balances	126,157	530,782	78,156	9,687	744,782	-
Cash balances beginning of year	245,838	304,159	102,885	4,712	657,594	-
Cash balances end of year	\$ 371,995	834,941	181,041	14,399	1,402,376	-
Cash Basis Fund Balances						
Restricted for:						
Customer deposits	\$ 100,315	-	-	-	100,315	-
Debt Service	-	50,049	-	-	50,049	-
Equipment set-aside	61,179	-	8,612	-	69,791	-
Unrestricted	210,501	784,892	172,429	14,399	1,182,221	-
Total cash basis fund balances	\$ 371,995	834,941	181,041	14,399	1,402,376	-

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, 2022

	<u>Custodial</u>
	<u>Flexible</u>
	<u>Benefits</u>
Additions:	
Employee contributions	\$ -
Deductions:	
Medical reimbursements	<u>-</u>
Net change in cash balance	-
Cash balance beginning of year	<u>269</u>
Cash balance end of year	<u>\$ 269</u>

See notes to financial statements.

City of Monticello

Notes to Financial Statements

June 30, 2022

(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 nonprofit 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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. During the year ended June 30, 2023 disbursements did not exceed the amount budgeted.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2022 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, 2022 is as follows:

	Beginning Balances Restated	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,350,000	-	550,000	2,800,000	565,000
Installment purchase agreements - direct borrowing	58,000	-	22,000	36,000	12,000
Lease purchase agreements	33,669	29,369	18,446	44,592	19,138
Governmental activities total	<u>\$ 3,441,669</u>	<u>29,369</u>	<u>590,446</u>	<u>2,880,592</u>	<u>596,138</u>
Business type activities:					
Sewer revenue loan - direct borrowing	\$ 59,825	502,850	-	562,675	-

General Obligation Bonds

A summary of the City's June 30, 2022 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
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		-	-		-	-
2028-2029		-	-		-	-
Total		<u>\$ 340,000</u>	<u>13,600</u>		<u>\$630,000</u>	<u>28,648</u>

Year Ending June 30,	General Obligation Bonds					
	Issued May 15, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	3.00	270,000	26,851	270,000	26,851	296,851
2028-2029	3.00	560,000	27,864	560,000	27,864	587,864
Total		<u>\$ 1,830,000</u>	<u>237,808</u>	<u>\$ 2,800,000</u>	<u>280,056</u>	<u>3,080,056</u>

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, 2022, the City paid \$170,000 of principal and \$12,750 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, 2022, the City paid \$150,000 of principal and \$12,758 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, 2022, the City paid \$230,000 of principal and \$61,800 of interest on the bonds.

Installment Purchase Agreements – Direct Borrowing

A summary of the City’s June 30, 2022 installment purchase agreements is as follows:

Year	Airport Hangars			
	Feb 17, 2020			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2023	5.00%	\$ 12,000	1,800	13,800
2024	5.00	12,000	1,200	13,200
2025	5.00	12,000	600	12,600
Total		\$ 36,000	3,600	39,600

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, 2022, the City paid the remaining principal of \$10,000 and interest of \$400 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, 2022, the City paid principal of \$12,000 and interest of \$2,400 on the agreement.

Sewer Revenue Loan – Direct Borrowing

On March 19, 2021, the City entered into an interest free loan agreement with the Iowa Finance Authority (IFA) for the issuance of sewer revenue bonds of up to \$595,000. 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. The total amount borrowed is due in full March 19, 2024. As of June 30, 2022, the City had borrowed \$562,675 as a part of this agreement. During the year ended June 30, 2022, the City did not make any payments on the loan.

Lease Agreements

On May 12, 2020, the City entered into a noncancelable lease agreement for a Bobcat Toolcat vehicle. An initial lease liability was recorded in the amount of \$46,466. The agreement requires monthly payments of \$1,049 over 48 months, with a stated interest rate of 3.99% and a final payment on April 30, 2024.

Year Ending June 30,	Bobcat Utility Vehicle		
	Principal	Interest	Total
2023	\$ 11,917	671	12,588
2024	10,300	190	10,490
Totals	\$ 22,217	861	23,078

On November 17, 2021, the City entered into a noncancelable lease agreement for a Case IH Magnum tractor. The City made an initial payment of \$65,000 and an initial lease liability was recorded in the amount of \$29,369. The agreement requires annual payments of \$7,948 over four years, with a stated interest rate of 3.25% and a final payment on November 16, 2024.

Year Ending June 30,	Case IH Magnum Tractor		
	Principal	Interest	Total
2023	\$ 7,221	727	7,948
2024	7,456	492	7,948
2025	7,698	250	7,948
Totals	\$ 22,375	1,469	23,844

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2022, 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$161,240.

Net Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City had an asset of \$690,608 for its proportionate share of the overall net pension asset. The overall net pension asset was measured as of June 30, 2021 and the total pension liability used in the calculation the overall plan net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the overall net pension asset was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.200045%, which was an increase of 0.189612% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(116,054), \$233,579 and \$1,251,425, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 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, 2021 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 2021 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

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 asset.

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)	\$ 270,822	(690,608)	(1,503,186)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$219,929 and plan members eligible for benefits contributed \$25,719 to the plan. At June 30, 2022, 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, 2022, the following employees were covered by the benefit terms:

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, compensatory time and holiday hours for subsequent use. The City also allows employees to accumulate holiday and compensatory time during the fiscal year in lieu of overtime pay. Employees separated from City employment are paid for unused vacation leave, compensatory time and holiday leave earned. However, sick leave time is lost upon resignation, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2022, primarily relating to the General and Enterprise Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 64,000
Compensatory time	300
Holiday	<u>1,700</u>
Total	<u><u>\$ 66,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(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.

(8) Employee Health Insurance Plan

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

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 (\$8 for Tier 1 medications, \$35 for Tier 2 medications, and \$50 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.

Payments to the Internal Service, Self-Insurance Fund are recorded as disbursements by the operating funds. Payments to employees for medical claims for the year ending June 30, 2022 totaled \$27,368.

(9) 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 up to 15 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 2038. 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 \$4,806,385. The total amount rebated and granted during the year ended June 30, 2022 was \$243,670. The total cumulative amount rebated and granted since inception of the existing agreements is \$1,220,586. Certain agreements are subject to annual appropriation by the City Council.

(10) 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.

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 20,385
	Storm Water	10,000
		<u>30,385</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	219,778
	Enterprise:	
	Water	24,715
	Sewer	6,676
	Storm Water	11,213
		<u>262,382</u>
Capital Projects	General	<u>211,020</u>
Total		<u>\$ 503,787</u>

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

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$384,410 during the year ended June 30, 2022.

(13) Revolving Loan Fund

In 2001, the City established a revolving loan account within the General Fund to provide loans to promote economic development within the City. The account was established with proceeds from an economic development RISE grant. At June 30, 2022, there were no active loans.

(14) Interfund Loans

During the year ended June 30, 2020, the General Fund loaned \$40,770 to the Water Operating Fund and \$33,586 to the Storm Water Fund to eliminate deficit balances. During the year ended June 30, 2021, the Enterprise, Water Fund and Storm Water Fund repaid the General Fund \$20,385 and \$5,000, respectively. During the fiscal year ended June 30, 2022, one repayment of \$20,385 was made from the Water Operating Fund fully repaying the balance of the Water Operating Fund loan and one repayment of \$10,000 was made from the Storm Water Fund leaving a balance of \$18,586 in for the Storm Water Fund loan.

(15) Construction Commitments

The City entered into construction contracts totaling \$1,405,231 for various street and airport projects. As of June 30, 2022, costs of \$449,541 had been paid on the contracts. The remaining \$955,690 will be paid as work on these projects progresses.

(16) 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, 2022, \$37,639 of property tax was diverted from the City under the urban renewal and economic development agreements.

(17) Lessor Agreements

The City owns an airport and has entered into various lease agreements to rent hangar space with an original lease term of between ten and twenty-five years and may provide for two or three 10-year lease extensions either automatically or upon notification by the lessee of the intention to renew. The leases provide for annual payments of between \$480 and \$3,535 to be received each year, upon the anniversary date of the lease commencement. As the tenant determines whether the lease will renew under the lease extensions, only extension terms which end on or before fiscal year 2036 have been included in the table below. The incremental borrowing rate is 3.00%.

Year Ending June 30,	Hangar Rental		
	Principal	Interest	Total
2023	\$ 8,295	2,980	11,275
2024	8,546	2,729	11,275
2025	8,804	2,471	11,275
2026	9,070	2,205	11,275
2027	9,344	1,931	11,275
2028-2032	43,791	5,324	49,115
2033-2036	13,606	1,014	14,620
Totals	\$ 101,456	18,654	120,110

The City owns a water tower that is rented to two telecommunications companies. The lease agreements were entered into in fiscal year 2002 and have an initial lease term of five years. One lease provides for up to four additional five-year renewals, automatically extended unless terminated by the lessee, with the fourth renewal period ending in fiscal year 2027. The City is to receive monthly lease payments of \$1,200, with an annual rent increase of \$300. Effective March 2020, under the amended lease, the monthly rent during the fourth renewal term was increased an additional \$324 per month. The other lease provides for up to three additional five-year renewals, automatically extended unless terminated by the lessee, with the third renewal period ending in fiscal year 2031. Effective March 2016, under the amended lease, the City is to receive monthly lease payments of \$2,100, with annual rent increases of three percent per month. The incremental borrowing rate is 3.00%.

Year Ending June 30,	Tower Rental		
	Principal	Interest	Total
2023	\$ 50,698	11,493	62,191
2024	53,164	9,939	63,103
2025	55,733	7,496	63,229
2026	58,409	6,600	65,009
2027	61,196	4,810	66,006
2028-2031	152,628	7,396	160,024
Totals	\$ 431,828	47,734	479,562

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

City of Monticello

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, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,852,309	-	-
Tax increment financing	714,143	-	-
Other city tax	632,126	-	-
Licenses and permits	289,370	-	-
Use of money and property	283,117	10,246	558
Intergovernmental	1,185,992	-	-
Charges for service	460,258	2,208,912	-
Special assessments	35,306	-	-
Miscellaneous	463,698	41,691	92,197
Total receipts	<u>5,916,319</u>	<u>2,260,849</u>	<u>92,755</u>
Disbursements:			
Public safety	1,593,619	-	10,771
Public works	937,821	-	-
Culture and recreation	815,618	-	74,614
Community and economic development	243,670	-	-
General government	669,691	-	-
Debt service	639,158	-	-
Capital projects	847,041	-	-
Business type activities	-	1,945,928	-
Total disbursements	<u>5,746,618</u>	<u>1,945,928</u>	<u>85,385</u>
Excess (deficiency) of receipts over (under) disbursements	169,701	314,921	7,370
Other financing sources (uses), net	73,529	429,861	-
Change in balances	243,230	744,782	7,370
Balances beginning of year	<u>3,861,560</u>	<u>657,594</u>	<u>129,961</u>
Balances end of year	<u>\$ 4,104,790</u>	<u>1,402,376</u>	<u>137,331</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Net
			Variance
1,852,309	1,849,834	1,849,834	2,475
714,143	705,000	705,000	9,143
632,126	414,145	508,645	123,481
289,370	244,275	252,107	37,263
292,805	269,810	279,580	13,225
1,185,992	736,636	1,230,218	(44,226)
2,669,170	2,119,000	2,570,327	98,843
35,306	13,500	34,573	733
413,192	290,858	508,294	(95,102)
8,084,413	6,643,058	7,938,578	145,835
1,582,848	1,554,575	1,627,737	44,889
937,821	938,741	1,041,581	103,760
741,004	802,456	1,029,653	288,649
243,670	223,773	243,674	4
669,691	671,286	823,502	153,811
639,158	638,811	639,162	4
847,041	779,250	1,117,950	270,909
1,945,928	5,309,829	2,444,809	498,881
7,607,161	10,918,721	8,968,068	1,360,907
477,252	(4,275,663)	(1,029,490)	1,506,742
503,390	4,337,500	750,500	(247,110)
980,642	61,837	(278,990)	1,259,632
4,389,193	3,248,352	3,248,352	1,140,841
5,369,835	3,310,189	2,969,362	2,400,473

City of Monticello

City of Monticello

Notes to Other Information – Budgetary Reporting

June 30, 2022

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 decreased budgeted disbursements by \$1,950,653. The budget amendments are reflected in the final budgeted amounts.

City of Monticello

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability/asset	0.200045% **	0.010433%	0.008901%	0.010570%
City's proportionate share of the net pension liability (asset)	\$ (691)	733	515	669
City's covered payroll	\$ 1,589	1,530	1,512	1,496
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(43.49)%	47.91%	34.06%	44.72%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.60%

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.011098%	0.010692%	0.008820%	0.007086%
739	673	436	281
1,481	1,386	1,400	1,381
49.90%	48.56%	31.14%	20.35%
82.21%	81.82%	85.19%	87.61%

City of Monticello

Schedule of City Contributions

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

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 161	151	148	149
Contributions in relation to the statutorily required contribution	<u>(161)</u>	<u>(151)</u>	<u>(148)</u>	<u>(149)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,720	1,589	1,530	1,512
Contributions as a percentage of covered payroll	9.36%	9.50%	9.67%	9.85%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
140	139	130	133	131	126
(140)	(139)	(130)	(133)	(131)	(126)
-	-	-	-	-	-
1,496	1,481	1,386	1,400	1,381	1,331
9.36%	9.39%	9.38%	9.50%	9.49%	9.47%

City of Monticello

Notes to Other Information – Pension Liability

Year ended June 30, 2022

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, 2022

		Slavka Gehret Trust	Riverside Gardeners, Inc.	Special Monticello Emergency Medical Team
Receipts:				
Use of money and property	\$ 15	2,461	26	532
Miscellaneous	-	-	10,191	16,788
Total receipts	15	2,461	10,217	17,320
Disbursements:				
Operating:				
Public safety	-	-	-	10,771
Culture and recreation	-	3,621	17,849	-
Total disbursements	-	3,621	17,849	10,771
Change in cash balances	15	(1,160)	(7,632)	6,549
Cash balances beginning of year	1,168	205,106	19,732	53,391
Cash balances end of year	\$ 1,183	203,946	12,100	59,940
Cash Basis Fund Balances				
Nonspendable - Permanent Funds	\$ -	-	-	-
Restricted for:				
Library purposes	-	203,946	-	-
Other purposes	1,183	-	12,100	59,940
Total cash basis fund balances	\$ 1,183	203,946	12,100	59,940

See accompanying independent auditor's report.

Revenue		Permanent			
Friends of the Monticello Public Library	Monticello Youth Baseball and Softball Association	Cemetery Perpetual Care	Ioma M. Baker Library Trust	Charles S. Bidwell Book Trust	Total
-	-	-	459	989	4,482
8,064	57,154	4,462	-	-	96,659
8,064	57,154	4,462	459	989	101,141
-	-	-	-	-	10,771
4,933	51,832	-	1,182	2,974	82,391
4,933	51,832	-	1,182	2,974	93,162
3,131	5,322	4,462	(723)	(1,985)	7,979
8,097	48,741	171,699	38,161	82,820	628,915
11,228	54,063	176,161	37,438	80,835	636,894
-	-	176,161	37,438	80,835	294,434
11,228	-	-	-	-	215,174
-	54,063	-	-	-	127,286
11,228	54,063	176,161	37,438	80,835	636,894

City of Monticello

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

For the Last Ten Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 1,852,309	1,855,253	1,911,489	1,708,332
Tax increment financing	714,143	589,831	237,047	701,595
Local Option Sales Tax	555,669	448,982	375,407	320,996
Other city tax	76,457	71,050	74,124	67,297
Licenses and permits	289,370	237,143	253,329	268,185
Use of money and property	283,117	258,074	288,047	295,977
Intergovernmental	1,185,992	955,129	784,095	1,069,450
Charges for service	460,258	396,439	329,736	342,780
Special assessments	35,306	40,619	71,463	7,043
Miscellaneous	463,698	341,352	411,276	375,431
Total	\$ 5,916,319	5,193,872	4,736,013	5,157,086
Disbursements:				
Operating:				
Public safety	\$ 1,593,619	1,854,396	1,401,631	1,353,932
Public works	937,821	847,893	662,433	983,896
Culture and recreation	815,618	792,640	863,631	859,634
Community and economic development	243,670	234,215	228,608	158,874
General government	669,691	543,423	445,116	422,457
Debt service	639,158	888,710	890,953	1,155,893
Capital projects	847,041	338,436	2,064,298	945,687
Total	\$ 5,746,618	5,499,713	6,556,670	5,880,373

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
1,675,454	1,614,852	1,507,823	1,418,243	1,359,156	1,207,353
677,167	687,017	697,082	705,038	707,631	954,563
303,276	321,671	318,789	331,227	294,450	313,805
67,491	59,739	45,379	47,045	294,875	262,843
256,577	240,231	236,417	257,563	23,739	15,898
227,020	219,114	211,953	199,545	182,975	195,688
1,842,509	984,472	656,846	613,988	1,785,111	860,934
419,282	378,155	421,657	442,108	513,066	538,875
28,750	8,625	10,245	8,841	25,545	33,067
356,557	345,414	322,355	593,478	496,566	398,060
5,854,083	4,859,290	4,428,546	4,617,076	5,683,114	4,781,086
1,406,420	1,264,186	1,301,333	1,314,857	1,314,483	1,554,299
560,099	513,294	505,104	472,415	567,227	523,740
707,194	709,030	684,872	650,097	714,327	565,742
152,717	154,145	160,185	138,630	115,893	143,022
402,548	388,120	447,938	425,395	437,104	437,900
1,146,258	1,080,718	978,276	1,031,717	1,186,490	1,128,656
2,007,692	1,427,765	1,578,911	777,768	1,719,321	1,716,184
6,382,928	5,537,258	5,656,619	4,810,879	6,054,845	6,069,543



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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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Monticello, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 23, 2023. 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.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2022-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 2022-002 through 2022-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monticello's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters which 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, 2022 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.

City of Monticello's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Monticello's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Monticello's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

August 23, 2023

City of Monticello

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

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

- (1) 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) Receipts – opening mail, collecting, depositing, posting and reconciling. Also, all individuals can void receipts.
- (4) Utility receipts – Utility rates entered into the utility system are not independently reviewed and tested to ensure proper calculations.

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

Effect – Inadequate segregation of duties could adversely affect the City’s 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 should review control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Independent reviews of financial transactions reconciliations and reports should be documented by the signature or initials of the reviewer and the date of the review.

Response – City staff 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.

Conclusion – Response accepted.

City of Monticello

Schedule of Findings

Year ended June 30, 2022

2022-002 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 four 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.

Monticello Youth Baseball and Softball Association Response – We will make sure all bank statements are reconciled each month. For the majority of the months, there is no activity.

Conclusion – Response acknowledged. The reconciliations should also be reviewed by an independent person and the review should be documented by the signatures or initials of the independent reviewer and the date of the review.

2022-003 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 or for requiring password changes.

Cause – The software does not require the user to change logins and passwords periodically. 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.

City of Monticello

Schedule of Findings

Year ended June 30, 2022

Response – City staff will work on written policies related to the above bullet points to be implemented.

Conclusion – Response accepted.

2022-004 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, 2022

Response – Steps to create a disaster recovery plan have been discussed but not yet implemented.

Conclusion – Response acknowledged. A written disaster recovery plan should be developed and implemented.

2022-005 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.

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.

2022-006 Friends of the Monticello Public Library (Friends of the 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 Library's 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.

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.

City of Monticello

Schedule of Findings

Year ended June 30, 2022

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.

Friends of the Library Response - Friends of the Library will delegate another board member to perform and account audit/reconciliation each meeting. This will be completed by a board member other than the Treasurer.

Conclusion - Response acknowledged. Independent reviews should be evidenced by the signature or initials of the reviewer and the date of the review.

2022-007 Monticello Firefighters' Organization, Inc. (Firefighters Organization)

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 volunteer. This segregation of duties helps prevent losses from volunteer 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, 2022

Firefighters Organization Response – New steps will be implemented to segregate duties. In place already, the bank statements are sent to the Fire Chief and are reviewed in the QuickBooks program prior to giving them to the Treasurer for his records. In the future, a different officer will pull the checks and mail from the Department’s Post Office Box. These steps will show that the Monticello Firefighters Organization is making progress in improvement of oversight with full transparency of the financial balances.

Conclusion – Response acknowledged. Independent reviews should be evidenced by the signature or initials of the reviewer and the date of the review.

2022-008 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 volunteers 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.

City of Monticello

Schedule of Findings

Year ended June 30, 2022

Monticello Emergency Medical Team Response – With limited number of volunteers it is difficult to segregate duties. We will have the President review monthly bank statements and sign off. The President is a signature holder on the checks. He is not readily available when checks are needing to be written and that is the purpose of only having one signature on the checks. All outgoing checks have been approved in prior meetings and should be noted by the Secretary as motions in the minutes, except for CPR teachings, Kirkwood CPR cards and PO Box expense.

Conclusion – Response acknowledged. Duties should be segregated to the extent possible, and reviews performed by an individual independent of the preparation and signing of checks should be evidenced by the signature or initials of the review and the date of the review.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Monticello

Schedule of Findings

Year ended June 30, 2022

Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.

2022-B Questionable Disbursements – The Soldier's Memorial Commission is a City department established under the City Code of Ordinances. The Commission's powers and duties per Chapter 25.04 of the Code of Ordinances states, "The Soldier's Memorial Commission shall manage and control the Memorial Building, shall make and establish rules and regulations for its use and management, and shall have, exercise and perform all of the powers and duties granted to the Commission as contained in Chapter 37 of the Code of Iowa and amendments thereto." Iowa Code Chapter 37.16 states the Commission's "purchasing regulations shall conform to generally accepted practices followed by public purchasing officers." Because the Commission's revenue consists of rental fees charged for use of the Commission's Veteran's room and a share of the revenue generated from the City's Community Room, these revenues are considered public funds.

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. During the fiscal year ended June 30, 2022, three disbursements for scholarships totaling \$1,000 were made from the Soldier's Memorial Fund. We believe these expenditures 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.

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 – City staff will communicate this finding to the Soldier's Memorial Board. City staff will offer our services and guidance to help the Soldier's Memorial Board determine and document the public purpose served by these types of disbursements prior to authorizing any further payments, as outlined here.

Conclusion – Response accepted.

2022-C 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, 2022

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kyle Stadtmueller, Tree Board Member owner of All American Lawn & Lands	Landscaping	\$ 6,459
Marv Kelchen, Tree Board Member employee of Black Hills Energy	Utilities	35,054
Dave Savage, Airport Advisory Board Member, owner of Insurance Associates, Inc.	Insurance	284,716
Joe Bayne, Fire Chief, employee of Municipal Emergency Services	Fuel and other supplies	6,233
Kim Brooks, Library Board Member, employee of Monticello Express		
Mark Spensley, Fire Service Board Member, owner of Monticello Express	Library supplies	16,954
Trent Adams, Planning & Zoning Board of Adjustments, Next Generation Plumbing & Heating	Services	12,193
Johnny Russ, Fire Department volunteer, employee of Spahn and Rose Lumber Company	Supplies	12,545
Molli Jenn Hunter, City Employee DBA D&D Services	Janitorial Service	10,256

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with Johnny Russ and Joe Bayne do not represent a conflict of interest. Also, 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 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 compliance with Chapter 362.5 of the Code of Iowa and for the disposition of this matter.

City of Monticello

Schedule of Findings

Year ended June 30, 2022

- 2022-E 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.
- 2022-F 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.
- 2022-G 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 – City staff has proposed amendments that set the rates by ordinance, per Iowa Code Chapter 384.84. These amendments were adopted by the City Council as Ordinance #766 on May 17, 2023
- Conclusion – Response accepted.
- 2022-H City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2022-I 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.
- 2022-J Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.
- 2022-K Donations – During the fiscal year ended June 30, 2022, the City donated to the following private nonprofit corporations:

Paid to	Purpose	Amount
Monticello Fire Association	Fireworks display	\$ 2,700
Solon American Legion	Moving wall soldiers memorial	100
Jones County Freedom Rock	Freedom rock	100
Monticello Post Prom	Post Prom	250
Jones County Safe and Healthy Youth Coalition	Promoting youth mental wellness and reducing youth substance abuse	3,000

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, nonprofit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

City of Monticello

Schedule of Findings

Year ended June 30, 2022

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government could perform directly. The Opinions further state, “Even if the function of a private nonprofit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes. “Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

In addition, during the fiscal year the City donated to the following governmental entities upon passage of a resolution. The amount of the donation was not documented in an agreement detailing the calculation for the amount to be paid:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Jones County		
Senior Dining	Senior meals	\$ 3,200
Jones County JETS	Transportation	1,500
Jones County		
Ag Extension	Youth summer camp	500

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private nonprofit organizations. If the nonprofit organization provides a service to the City, the City may enter into an agreement properly established under Chapter 28E of the Code of Iowa or an ordinary contract for services similar to one they would enter with a private entity providing services. Either way, the agreement should detail the services provided and the cost of those services, as well as provide transparency for the City that allows confirmation the funds were spent as agreed and a clawback provision in the event that they are not spent as agreed. If the entity is not providing a service to the City, the City should immediately cease making future such donations. Agreements to provide funding to governmental organizations should likewise be determined in advance and provide transparency on the use of the funds.

Response – Based upon the recommendations received during the audit City staff will institute a process to address the concerns listed here. City staff have implemented processes over the year to improve the issues falling within “Donations” and will work to implement 28E agreements or contracts with more detail as outlined here.

Conclusion – Response accepted.

City of Monticello

Staff

This audit was performed by:

Ernest H. Ruben, Jr, CPA, Deputy
Gwen D. Fangman, CPA, Manager
William J. Sallen, CPA, Senior Auditor
William R. Bamber, CPA, Staff Auditor
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