



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

NEWS RELEASE

FOR RELEASE

October 7, 2002

Contact: Andy Nielsen
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Auditor of State Richard Johnson today released an audit report on the City of Monroe, Iowa.

Johnson reported that the City's receipts totaled \$1,195,487 for the year ended June 30, 2002. The receipts included \$269,960 in property tax, \$204,464 in tax increment financing receipts, \$171,572 from the state, \$405,514 in charges for service and \$22,975 in interest on investments. The City also received proceeds of \$441,160 from the sale of revenue bonds that are reported as an other financing source.

Disbursements for the year totaled \$1,614,523 and included \$270,563 for community protection, \$64,808 for human development, \$1,181,954 for home and community environment and \$97,198 for policy and administration.

This report contains recommendations to the City Council and other City officials. For example, duties among employees should be segregated to prevent individual employees from handling duties which are incompatible and procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The report also recommends compliance with various statutory requirements of the Code of Iowa. A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

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CITY OF MONROE
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5
Financial Statements:	<u>Exhibit</u>	
Combined Statement of Cash Transactions – All Fund Types	A	8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B	10-11
Statement of Indebtedness	C	12-13
Notes to Financial Statements		14-20
Supplemental Information:	<u>Schedule</u>	
Combining and Individual Schedules of Cash Transactions:		
General Fund	1	22-27
Special Revenue Funds	2	29
Debt Service Funds	3	30-33
Capital Projects Fund	4	34
Enterprise Funds	5	36-39
Trust Funds	6	41
Bond and Note Maturities	7	42-43
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		45-46
Schedule of Findings		47-52
Staff		53

City of Monroe

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Donald Van Baale	Mayor	Jan 2004
Brad Van Baale	Mayor Pro tem	Jan 2002
John Vriezelaar	Council Member	Jan 2002
Richard Aalbers	Council Member	Resigned
Sherri Breckenridge (Appointed)	Council Member	Jan 2002
Brian Briles	Council Member	Jan 2004
Al Buechler	Council Member	Jan 2004
Ramona Van Baale	City Clerk	Indefinite
Carol Ann Diekema	City Coordinator	Indefinite
Caldwell, Caldwell & Caldwell	City Attorney	Indefinite
(After January 2002)		
Donald Van Baale	Mayor	Jan 2004
Brad Van Baale	Mayor Pro tem	Jan 2006
Brian Briles	Council Member	Jan 2004
Al Buechler	Council Member	Jan 2004
Cindi Jennings	Council Member	Jan 2006
L. Bruce Aalbers	Council Member	Jan 2006
Kim Thomas	City Clerk	Indefinite
Carol Ann Diekema	City Coordinator	Indefinite
Caldwell, Caldwell & Caldwell	City Attorney	Indefinite

City of Monroe



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Chief Deputy Auditor of State

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Monroe, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Monroe as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2002 on our consideration of the City of Monroe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 23, 2002

City of Monroe

Financial Statements

City of Monroe
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 241,108	-	18,476
Tax increment financing collections	12,045	-	192,419
Other city tax	10,289	-	806
Licenses and permits	5,134	-	-
Use of money and property	20,269	672	-
Intergovernmental	44,275	144,816	-
Charges for service	119,969	-	-
Miscellaneous	53,604	6,529	4,149
Total receipts	<u>506,693</u>	<u>152,017</u>	<u>215,850</u>
Disbursements:			
Community Protection Program	250,778	19,785	-
Human Development Program	55,711	9,097	-
Home and Community Environment Program	108,210	131,595	664,950
Policy and Administration Program	85,876	-	11,322
Total disbursements	<u>500,575</u>	<u>160,477</u>	<u>676,272</u>
Excess (deficiency) of receipts over (under) disbursements	<u>6,118</u>	<u>(8,460)</u>	<u>(460,422)</u>
Other financing sources (uses):			
Sewer revenue bond proceeds (net of \$5,200 origination fee)	-	-	441,160
Operating transfers in	-	-	11,322
Operating transfers out	(11,322)	-	-
Total other financing sources (uses)	<u>(11,322)</u>	<u>-</u>	<u>452,482</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(5,204)	(8,460)	(7,940)
Balance beginning of year	<u>113,992</u>	<u>176,488</u>	<u>115,645</u>
Balance end of year	<u>\$ 108,788</u>	<u>168,028</u>	<u>107,705</u>

See notes to financial statements.

Capital Projects	Proprietary Fund Types Enterprise	Fiduciary Fund Type Trust Funds	Total (Memorandum Only)
10,376	-	-	269,960
-	-	-	204,464
393	-	-	11,488
-	-	-	5,134
-	1,690	2,316	24,947
-	-	-	189,091
-	285,545	-	405,514
-	18,988	1,619	84,889
10,769	306,223	3,935	1,195,487
-	-	-	270,563
-	-	-	64,808
-	277,199	-	1,181,954
-	-	-	97,198
-	277,199	-	1,614,523
10,769	29,024	3,935	(419,036)
-	-	-	441,160
-	16,478	-	27,800
-	(16,478)	-	(27,800)
-	-	-	441,160
10,769	29,024	3,935	22,124
52,476	264,943	140,383	863,927
63,245	293,967	144,318	886,051

City of Monroe

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property tax	\$ 269,960	-	269,960
Tax increment financing collections	204,464	-	204,464
Other city tax	11,488	-	11,488
Licenses and permits	5,134	-	5,134
Use of money and property	24,947	672	24,275
Intergovernmental	189,091	-	189,091
Charges for service	405,514	-	405,514
Miscellaneous	84,889	6,529	78,360
Total receipts	<u>1,195,487</u>	<u>7,201</u>	<u>1,188,286</u>
Disbursements:			
Community Protection Program	270,563	-	270,563
Human Development Program	64,808	9,097	55,711
Home and Community Environment Program	1,181,954	-	1,181,954
Policy and Administration Program	97,198	-	97,198
Total disbursements	<u>1,614,523</u>	<u>9,097</u>	<u>1,605,426</u>
Deficiency of receipts under disbursements	(419,036)	(1,896)	(417,140)
Other financing sources, net	<u>441,160</u>	-	<u>441,160</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	22,124	(1,896)	24,020
Balance beginning of year	<u>863,927</u>	26,040	<u>837,887</u>
Balance end of year	<u>\$ 886,051</u>	24,144	<u>861,907</u>

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
282,668	(12,708)	96%
212,900	(8,436)	96%
11,043	445	104%
3,600	1,534	143%
24,300	(25)	100%
214,623	(25,532)	88%
408,678	(3,164)	99%
4,311	74,049	182%
<u>1,162,123</u>	<u>26,163</u>	<u>102%</u>
254,575	(15,988)	106%
68,800	13,089	81%
949,309	(232,645)	125%
106,147	8,949	92%
<u>1,378,831</u>	<u>(226,595)</u>	<u>116%</u>
(216,708)		
<u>500,000</u>		
283,292		
<u>879,293</u>		
<u><u>1,162,585</u></u>		

City of Monroe
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bond notes:			
Essential corporate purpose	Dec 1, 1996	4.65-4.70%	\$ 410,000
Corporate purpose and refunding notes	Jun 1, 2000	5.10-5.65	900,000
Street improvement	Dec 28, 2000	6.00	130,000
Total			
General obligation municipal building notes:			
City hall and community building	Apr 15, 1992	5.75%	\$ 80,000
Fire department building	Jul 30, 1999	6.00	25,000
Total			
Urban renewal tax increment financing (TIF) revenue bonds	June 24, 1997	9.00%	\$ 200,000
Revenue bonds:			
Sewer	Dec 1, 1988	7.40-7.45%	\$ 115,000
Sewer	Sep 4, 2001	4.30	520,000
Total			
Lease purchase agreement:			
Wheel loader	Apr 26, 2002	5% (imputed)	\$ 90,712

See notes to financial statements.

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$	270,000	-	40,000	230,000	12,630
	805,000	-	100,000	705,000	41,228
	111,428	-	18,571	92,857	6,687
\$	1,186,428	-	158,571	1,027,857	60,545
	10,601	-	10,601	-	721
	15,000	-	7,000	8,000	3,020
\$	25,601	-	17,601	8,000	3,741
\$	149,977	-	19,833	130,144	13,062
	35,000	-	10,000	25,000	2,592
	-	446,360	17,000	429,360	11,167
\$	35,000	446,360	27,000	454,360	13,759
\$	-	90,712	49,258	41,454	3,036

City of Monroe

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The City of Monroe is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1877 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, recreation, public improvements and general administrative services.

A. Reporting Entity

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

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, part of the City. The financial activities of the component unit are reflected in this report as a Special Revenue Fund.

The Friends of the Monroe Library has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Monroe Public Library. These donations are used to purchase items which are not included in the City's budget.

Jointly Governed Organizations

The City also 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: Jasper County Assessor's Conference Board, the Jasper County E-911 Joint Service Board and the Jasper County Emergency Management Commission.

The City also participates in the Jasper County-Poweshiek County Drug Task Force, the Safety Coalition of Central Iowa Cities Shared Services, and the Jasper County Animal Rescue League, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Funds – The Debt Service Funds are utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

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

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Fiduciary Funds

Trust Funds – The Trust Funds are utilized to account for monies and properties received and held by the City in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or funds. These include expendable trust funds and non-expendable trust funds.

D. Basis of Accounting

The City of Monroe 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.

E. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

F. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, revenue bonds and urban renewal tax increment financing (TIF) revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2003	\$ 176,571	54,663	10,000	1,858	21,658
2004	173,571	45,597	15,000	1,117	23,652	9,243
2005	133,571	36,648	-	-	25,828	7,067
2006	143,571	29,744	-	-	28,205	4,690
2007	148,573	22,304	-	-	30,801	2,094
2008	85,000	14,520	-	-	-	-
2009	85,000	9,845	-	-	-	-
2010	90,000	5,086	-	-	-	-
Total	\$1,035,857	218,407	25,000	2,975	130,144	34,330

Sewer Revenue Bonds

On September 4, 2001, the City entered into an agreement which, under the provisions of the State Revolving Fund, resulted in the issuance of \$520,000 of sewer revenue bonds that were held by Wells Fargo Bank Iowa, N.A. as Trustee. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the costs of improvements to the municipal sanitary sewer. The City received disbursements from the Trustee upon request to reimburse the City for costs as they were incurred. The interest rate on the bonds is 4.30%.

At June 30, 2002, the City had drawn down \$446,360 of the \$520,000 authorized. A formal repayment schedule has not been adopted for the debt. The City has repaid \$17,000, leaving a balance of \$429,360 at June 30, 2002.

The resolutions providing for the issuance of the sewer revenue bonds, including those issued under the State Revolving Fund, include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- c) Additional monthly transfers shall be made to sewer reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying principal at maturity or interest on the bonds when there is insufficient funds in the sewer revenue bond and note sinking accounts and to pay for any additional improvements, extensions or repairs to the system.
- d) The books of the Sewer Utility shall be audited annually.

The City has not established the sinking and reserve accounts required by the 2001 sewer revenue bond resolution.

The City has not redeemed the 2001 sewer revenue bonds from the net earnings of the sewer fund. Principal and interest due on these bonds were paid from the City's Debt Service Fund.

The City has not caused the Sewer Utility Fund to be audited annually as required by the 1988 Sewer Revenue Bond resolution.

Urban Renewal Tax Increment Revenue Bonds

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

General Obligation Municipal Building Note

On July 30, 1999, the City issued a general obligation municipal building note pursuant to a loan agreement dated July 30, 1999 in the amount of \$25,000 to provide funds to pay the cost of acquisition of a building for use by the Fire Department. The repayment terms require three equal installments of \$5,000 beginning June 1, 2000 and one final payment on June 1, 2003 of all remaining principal and interest, including 6.00% per annum interest. The balance at June 30, 2002 was \$8,000.

(4) Lease Purchase Agreement

On April 26, 2002, the City entered into a lease purchase agreement to purchase a wheel loader. The following is a schedule of the future minimum lease payments, including interest imputed at 5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2002.

<u>Year Ending June 30,</u>	<u>Wheel Loader</u>
2003	\$ 22,294
2004	<u>22,294</u>
Total minimum lease payments	44,588
Less amount representing interest	<u>(3,134)</u>
Present value of net minimum lease payments	<u>\$ 41,454</u>

During the year ended June 30, 2002, \$52,294 was paid under this lease, including interest of \$3,036.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$18,676, equal to the required contribution for that year.

(6) Compensated Absences

City employees accumulate earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2002, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,400
Comp time	6,800
Total	\$ 15,200

This liability has been computed based on rates of pay in effect at June 30, 2002.

(7) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Community Protection and Home and Community Environment programs exceeded the amounts budgeted.

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expense and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contribution to the Pool for the year ended June 30, 2002 were \$17,163.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

Supplemental Information

City of Monroe
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library	Public Safety	Rural Fire
Receipts:				
Property tax	\$ 57,524	24,545	133,743	-
Tax increment financing collections	12,045	-	-	-
Other city tax:				
Mobile home tax	1,135	-	-	-
Utility tax replacement excise tax	9,154	-	-	-
	10,289	-	-	-
Licenses and permits:	5,134	-	-	-
Use of money and property:				
Interest on investments	13,592	-	-	-
Rent	2,152	-	-	-
	15,744	-	-	-
Intergovernmental:				
State allocation	21,870	-	-	-
Bank franchise tax	3,688	-	-	-
Seat belt grant	-	-	195	-
County contributions	-	1,311	-	-
Open access grant	-	159	-	-
Fire contracts	-	-	-	16,208
Enrich Iowa grant	-	844	-	-
	25,558	2,314	195	16,208
Charges for service:				
Fire and rescue charges	-	-	22,643	-
Garbage fees	-	-	-	-
Miscellaneous	150	524	345	-
	150	524	22,988	-
Miscellaneous:				
Court fines	4,530	-	-	-
Sale of vehicle	-	-	1,355	-
Parking fines	15	-	445	-
Memorials	-	-	-	-
Donations and contributions	50	-	-	-
Fuel tax refunds	952	-	-	-
Miscellaneous	6,624	-	38	-
	12,171	-	1,838	-
Total receipts	138,615	27,383	158,764	16,208

Volunteer Fire	Recreation	Municipal Enterprise	Sanitation	Total
-	16,530	8,766	-	241,108
-	-	-	-	12,045
-	-	-	-	1,135
-	-	-	-	9,154
-	-	-	-	10,289
-	-	-	-	5,134
-	-	4,525	-	18,117
-	-	-	-	2,152
-	-	4,525	-	20,269
-	-	-	-	21,870
-	-	-	-	3,688
-	-	-	-	195
-	-	-	-	1,311
-	-	-	-	159
-	-	-	-	16,208
-	-	-	-	844
-	-	-	-	44,275
5,100	-	-	-	27,743
-	-	-	91,207	91,207
-	-	-	-	1,019
5,100	-	-	91,207	119,969
-	-	-	-	4,530
-	-	-	-	1,355
-	-	-	-	460
34,614	-	-	-	34,614
3,192	-	-	-	3,242
-	-	-	-	952
1,138	110	541	-	8,451
38,944	110	541	-	53,604
44,044	16,640	13,832	91,207	506,693

City of Monroe
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library	Public Safety	Rural Fire
Disbursements:				
Community Protection Program:				
Police:				
Personal services	-	-	116,868	-
Contractual services	-	-	9,934	-
Commodities	-	-	13,179	-
Capital outlay	-	-	21,978	-
	-	-	<u>161,959</u>	-
Fire:				
Personal services	-	-	462	-
Contractual services	-	-	4,516	2,979
Commodities	-	-	12,448	4,695
Capital outlay	-	-	12,000	-
	-	-	<u>29,426</u>	<u>7,674</u>
Ambulance:				
Personal services	-	-	2,113	-
Contractual services	-	-	8,325	-
Commodities	-	-	3,089	-
	-	-	<u>13,527</u>	-
	-	-	<u>204,912</u>	<u>7,674</u>
Human Development Program:				
Library:				
Personal services	-	21,510	-	-
Contractual services	-	1,408	-	-
Commodities	-	10,414	-	-
	-	<u>33,332</u>	-	-
Parks:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Commodities	-	-	-	-
	-	<u>33,332</u>	-	-

Volunteer Fire	Recreation	Municipal Enterprise	Sanitation	Total
-	-	-	-	116,868
-	-	-	-	9,934
-	-	-	-	13,179
-	-	-	-	21,978
-	-	-	-	161,959
-	-	-	-	462
2,001	-	-	-	9,496
5,894	-	-	-	23,037
30,297	-	-	-	42,297
38,192	-	-	-	75,292
-	-	-	-	2,113
-	-	-	-	8,325
-	-	-	-	3,089
-	-	-	-	13,527
38,192	-	-	-	250,778
-	-	-	-	21,510
-	-	-	-	1,408
-	-	-	-	10,414
-	-	-	-	33,332
-	9,036	-	-	9,036
-	10,106	-	-	10,106
-	3,237	-	-	3,237
-	22,379	-	-	22,379
-	22,379	-	-	55,711

City of Monroe
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Library	Public Safety	Rural Fire
Disbursements (continued):				
Home and Community Environment Program:				
Solid Waste:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Commodities	-	-	-	-
	-	-	-	-
Cemetery:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Commodities	-	-	-	-
	-	-	-	-
	-	-	-	-
Policy and Administration Program:				
City Hall				
Personal services	42,092	-	-	-
Contractual services	30,552	-	-	-
Commodities	3,212	-	-	-
	75,856	-	-	-
Debt Service:				
Principal redemption	7,000	-	-	-
Interest payments	3,020	-	-	-
	10,020	-	-	-
	85,876	-	-	-
Total disbursements	85,876	33,332	204,912	7,674
Excess (deficiency) of receipts over (under) disbursements	52,739	(5,949)	(46,148)	8,534
Other financing uses:				
Operating transfers out:				
Debt Service	(11,322)	-	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	41,417	(5,949)	(46,148)	8,534
Balance beginning of year	(5,965)	2,675	12,146	5,081
Balance end of year	\$ 35,452	(3,274)	(34,002)	13,615

See accompanying independent auditor's report.

Volunteer Fire	Recreation	Municipal Enterprise	Sanitation	Total
-	-	-	5,347	5,347
-	-	-	79,941	79,941
-	-	-	219	219
-	-	-	85,507	85,507
-	-	4,217	-	4,217
-	-	15,312	-	15,312
-	-	3,174	-	3,174
-	-	22,703	-	22,703
-	-	22,703	85,507	108,210
-	-	-	-	42,092
-	-	-	-	30,552
-	-	-	-	3,212
-	-	-	-	75,856
-	-	-	-	7,000
-	-	-	-	3,020
-	-	-	-	10,020
-	-	-	-	85,876
38,192	22,379	22,703	85,507	500,575
5,852	(5,739)	(8,871)	5,700	6,118
-	-	-	-	(11,322)
5,852	(5,739)	(8,871)	5,700	(5,204)
16,084	6,246	19,008	58,717	113,992
21,936	507	10,137	64,417	108,788

City of Monroe

City of Monroe
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Friends of Library	Total
Receipts:			
Use of money and property:			
Interest on investments	\$ -	672	672
Intergovernmental:			
Road use tax allocation	144,816	-	144,816
Miscellaneous:			
Memorials	-	1,229	1,229
Donations and contributions	-	5,300	5,300
Total receipts	144,816	7,201	152,017
Disbursements:			
Community Protection Program:			
Street lighting:			
Contractual services	19,785	-	19,785
Human Development Program:			
Commodities	-	5,802	5,802
Capital outlay	-	3,295	3,295
Total disbursements	-	9,097	9,097
Home and Community Environment Program:			
Personal services	30,730	-	30,730
Contractual services	32,717	-	32,717
Commodities	8,597	-	8,597
Capital outlay	59,551	-	59,551
Total disbursements	131,595	-	131,595
Total disbursements	151,380	9,097	160,477
Deficiency of receipts under disbursements	(6,564)	(1,896)	(8,460)
Balance beginning of year	150,448	26,040	176,488
Balance end of year	\$ 143,884	24,144	168,028

See accompanying independent auditor's report.

City of Monroe
Combining Schedule of Cash Transactions
Debt Service Funds
Year ended June 30, 2002

	1996 Sewer and Water Project	County Line Road
Receipts:		
Property tax	\$ -	18,476
Tax increment financing collections	-	-
Other city tax:		
Mobile home	-	89
Utility tax replacement excise tax	-	717
	-	806
Miscellaneous:		
Sales tax refunds	-	1,949
Reimbursements	-	2,200
	-	4,149
Total receipts	-	23,431
Disbursements:		
Home and Community Environment Program:		
Contractual services:		
Sewer and road project	-	-
Debt service:		
Principal redemption	40,000	18,571
Interest payments	12,630	6,687
Administration fee	300	-
	52,930	25,258
Policy and Administration Program:		
Debt service:		
Principal redemption	-	-
Interest payments	-	-
	-	-
Total disbursements	52,930	25,258
Excess (deficiency) of receipts over (under) disbursements	(52,930)	(1,827)

Midland Manufacturing (TIF)	2000 Street, Water and Sewer	2001 Sewer	Municipal Building	Total
-	-	-	-	18,476
44,232	148,187	-	-	192,419
-	-	-	-	89
-	-	-	-	717
-	-	-	-	806
-	-	-	-	1,949
-	-	-	-	2,200
-	-	-	-	4,149
44,232	148,187	-	-	215,850
-	-	384,472	-	384,472
19,833	100,000	17,000	-	195,404
13,062	41,228	11,167	-	84,774
-	-	-	-	300
32,895	141,228	412,639	-	664,950
-	-	-	10,601	10,601
-	-	-	721	721
-	-	-	11,322	11,322
32,895	141,228	412,639	11,322	676,272
11,337	6,959	(412,639)	(11,322)	(460,422)

City of Monroe
Combining Schedule of Cash Transactions
Debt Service Funds
Year ended June 30, 2002

	1996	County Line Road
	Sewer and Water Project	
Other financing sources:		
Sewer revenue bond proceeds (net of \$5,200 origination fee)	-	-
Operating transfers in:		
General:		
General	-	-
Total other financing sources	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(52,930)	(1,827)
Balance beginning of year	108,554	7,471
Balance end of year	\$ 55,624	5,644

See accompanying independent auditor's report.

Midland Manufacturing (TIF)	2000 Street, Water and Sewer	2001 Sewer	Municipal Building	Total
-	-	441,160	-	441,160
-	-	-	11,322	11,322
-	-	441,160	11,322	452,482
11,337	6,959	28,521	-	(7,940)
754	(1,134)	-	-	115,645
12,091	5,825	28,521	-	107,705

Schedule 4

City of Monroe
Schedule of Cash Transactions
Capital Projects Fund
Year ended June 30, 2002

	<u>Capital Improvement Reserve</u>
Receipts:	
Property tax	\$ 10,376
Other city tax:	
Utility tax replacement excise tax	393
Total receipts	<u>10,769</u>
Disbursements:	
None	<u>-</u>
Excess of receipts over disbursements	10,769
Balance beginning of year	<u>52,476</u>
Balance end of year	<u><u>\$ 63,245</u></u>

See accompanying independent auditor's report.

City of Monroe

City of Monroe
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Revenue Reserve	Sewer
Receipts:			
Use of money and property:			
Interest on investments	\$ 919	-	771
Charges for service:			
Sale of water	160,599	-	-
Sewer rental fees	-	-	124,946
	<u>160,599</u>	<u>-</u>	<u>124,946</u>
Miscellaneous:			
Sales tax collected	7,536	-	639
Sale of scrap or surplus	145	-	-
Customer deposits	-	-	-
Sales tax refund	-	-	7,434
Miscellaneous	585	-	199
	<u>8,266</u>	<u>-</u>	<u>8,272</u>
Total receipts	<u>169,784</u>	<u>-</u>	<u>133,989</u>
Disbursements:			
Home and Community Environment Program:			
Utility operations:			
Personal services	58,447	-	59,741
Contractual services	53,413	-	46,574
Commodities	35,428	-	9,229
Refunds	-	-	-
	<u>147,288</u>	<u>-</u>	<u>115,544</u>
Debt service:			
Principal redemption	-	-	-
Interest payments	-	-	-
Registrar fees	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>147,288</u>	<u>-</u>	<u>115,544</u>
Excess (deficiency) of receipts over (under) disbursements	<u>22,496</u>	<u>-</u>	<u>18,445</u>

Sewer Revenue Bond Sinking	Sewer Revenue Reserve	Meter Deposits	Total
-	-	-	1,690
-	-	-	160,599
-	-	-	124,946
-	-	-	285,545
			8,175
-	-	-	145
-	-	2,450	2,450
-	-	-	7,434
-	-	-	784
-	-	2,450	18,988
-	-	2,450	306,223
			118,188
-	-	-	99,987
-	-	-	44,657
-	-	1,475	1,475
-	-	1,475	264,307
10,000	-	-	10,000
2,592	-	-	2,592
300	-	-	300
12,892	-	-	12,892
12,892	-	1,475	277,199
(12,892)	-	975	29,024

City of Monroe
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water	Water Revenue Reserve	Sewer
Other financing sources (uses):			
Operating transfers in (out):			
Enterprise:			
Sewer	-	-	-
Sewer Revenue Bond Sinking	-	-	(16,478)
Total other financing sources (uses)	-	-	(16,478)
Excess of receipts and other financing sources over disbursements and other financing uses	22,496	-	1,967
Balance beginning of year	197,982	18,375	6,573
Balance end of year	\$ 220,478	18,375	8,540

See accompanying independent auditor's report.

Sewer Revenue Bond Sinking	Sewer Revenue Reserve	Meter Deposits	Total
16,478	-	-	16,478
-	-	-	(16,478)
16,478	-	-	-
3,586	-	975	29,024
12,591	16,381	13,041	264,943
16,177	16,381	14,016	293,967

City of Monroe

City of Monroe
Combining Schedule of Cash Transactions
Trust Funds
Year Ended June 30, 2002

	<u>Non-Expendable</u>	<u>Expendable</u>	
	Cemetery Perpetual Care	Library Building Fund	Total
Receipts:			
Use of money and property:			
Interest on investments	\$ -	2,316	2,316
Miscellaneous:			
Donations	-	25	25
Perpetual care payments	1,594	-	1,594
	<u>1,594</u>	<u>25</u>	<u>1,619</u>
Total receipts	1,594	2,341	3,935
Disbursements:			
None	-	-	-
Excess of receipts over disbursements	1,594	2,341	3,935
Balance beginning of year	<u>94,922</u>	<u>45,461</u>	<u>140,383</u>
Balance end of year	<u>\$ 96,516</u>	<u>47,802</u>	<u>144,318</u>

See accompanying independent auditor's report.

City of Monroe
Bond and Note Maturities
June 30, 2002

Year Ending June 30,	General Obligation Bonds/ Notes					
	Essential Corporate Purpose		Corporate Purpose and Refunding Notes		Street Improvement	
	Issued Dec 1, 1996		Issued Jun 1, 2000		Issued Dec 28, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2003	4.65%	\$ 40,000	5.10%	\$110,000	6.00%	\$ 18,571
2004	4.70	45,000	5.20	110,000	6.00	18,571
2005	4.70	45,000	5.25	70,000	6.00	18,571
2006	4.70	50,000	5.30	75,000	6.00	18,571
2007	4.70	50,000	5.40	80,000	6.00	18,573
2008		-	5.50	85,000		-
2009		-	5.60	85,000		-
2010		-	5.65	90,000		-
Total		<u>\$ 230,000</u>		<u>\$705,000</u>		<u>\$ 92,857</u>

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Revenue Bonds Sewer	
	Issued Jun 24, 1997		Issued Dec 1, 1998	
	Interest Rates	Amount	Interest Rates	Amount
	2003	9.00%	\$ 21,658	7.40%
2004	9.00	23,652	7.45	15,000
2005	9.00	25,828		-
2006	9.00	28,205		-
2007	9.00	<u>30,801</u>		<u>-</u>
Total		<u>\$ 130,144</u>		<u>\$ 25,000</u>

See accompanying independent auditor's report.

<u>Fire Department Building</u>		
<u>Issued Jul 30, 1999</u>		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
6.00%	\$ 8,000	\$ 176,571
	-	173,571
	-	133,571
	-	143,571
	-	148,573
	-	85,000
	-	85,000
	-	90,000
	<u>\$ 8,000</u>	<u>\$ 1,035,857</u>

City of Monroe



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Chief Deputy Auditor of State

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Monroe, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated July 23, 2002. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City of Monroe's operations for the year ended June 30, 2002 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. Prior audit statutory comments have been resolved except for items (1), (3), (8), (9), (10), (11) and (12).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monroe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Monroe's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe that items (A) and (B) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Monroe and other parties to whom the City of Monroe may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Monroe 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 23, 2002

City of Monroe
Schedule of Findings
Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One individual can have control over one or more of the following areas:
- (a) Investments– investing, recording and custody.
 - (b) Receipts– opening mail, collecting, depositing, journalizing, posting and bank account reconciling.
 - (c) Disbursements– processing of vouchers, check writing, posting and bank account reconciling.
 - (d) Payroll– preparation, check writing, posting and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response –

- (a) The City Council makes the decisions as to where investments are to be applied. The Clerk invests the funds. However, the Clerk and Coordinator may make suggestions to the Council.
- (b) The Clerk and Coordinator share the opening of mail and opening of receipts. The Clerk continues to do the month end reconciling and will discuss with the Coordinator.
- (c) Every check written has two signatures, the Mayor, Clerk or Coordinator may sign and a copy of the bill is attached to the check before the check is signed . The Council initials bills before paid.
- (d) Payroll will continue to be done by the Clerk; however, the Coordinator will also know how to process it. Once again, all checks have two signatures.

Conclusion – Response acknowledged. However, the City should continue to evaluate ways to segregate duties with existing personnel. Review of financial transactions and reports by administrative personnel should be evidenced by the Administrator's initials and date.

City of Monroe

Schedule of Findings

Year ended June 30, 2002

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections delinquencies.

Response – New software has been purchased and will show reconciliations. The new Clerk will also discuss bill collection with the Council and try to collect on old accounts.

Conclusion – Response accepted. In addition, the computer generated utility reconciliation should be reviewed and verified to supporting documentation by someone independent of utility processing.

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- ? Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- ? Storage of backup tapes/disks off site.
- ? No battery backup of the power supply.

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

Response – The Clerk has a new computer system with backup options and battery power backup. Passwords are changed every 30 days. The Clerk will also be taking the disk home at night for storage. The City will also develop a written policy and procedures for this.

Conclusion – Response accepted.

- (D) Payroll – Time cards were not always approved and initialed by the employee's supervisor.

Recommendation – Time cards should be approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll.

Response – The Police Chief will initial time cards for the Police Department and the Coordinator or Clerk will sign for all the other employees.

Conclusion – Response accepted.

City of Monroe
 Schedule of Findings
 Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002, except as follows:

<u>Depository</u>	<u>Maximum Authorized Deposit</u>
Monroe State Bank	\$750,000

Recommendation – A new resolution in amounts sufficient to cover anticipated balances should have been approved by the City before balances were allowed to exceed the maximum.

Response – The depository amount will be increased at Monroe State Bank or a sum of funds will be transferred to another bank or investment service. The City is looking at investing in IPAIT.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Community Protection and Home and Community Environment programs. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The budget will be amended in the future as needed.

Conclusion – Response accepted.

- (3) Questionable Disbursements – Certain disbursements were noted that may not meet the of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid For</u>	<u>Purpose</u>	<u>Amount</u>
Groceries	Fire department dinner meeting	\$ 3,200

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

City of Monroe

Schedule of Findings

Year ended June 30, 2002

The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The Fire and Council will need to determine how to handle this situation. A document authorizing the public purpose will need to be done if this continues, as stated.

Conclusion – Response accepted.

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Bruce Aalbers, Council Member, Owner of Aalbers Construction	Supplies	\$1,456
Robert Stafford, Water Superintendent, Owner of Bob's Shooting Supplies	Supplies	288

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member and Water Superintendent do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

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

(7) Council Minutes – Except as noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

The City did not always publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required.

Response – Minutes will be published within the 15-day limit. The Monroe Legacy has always had the minutes, however, they may not have published them within the 15-day limit.

Conclusion – Response accepted.

City of Monroe

Schedule of Findings

Year ended June 30, 2002

- (8) Deposits and Investments – Except as noted in item (1) and below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

Interest income from investments made from the Debt Service Fund have not been credited to this fund. In accordance with Chapter 12C.9 of the Code of Iowa, interest earned on bond proceeds and funds being accumulated for the payment of principal and interest should be used to pay the principal and interest as it comes due or be credited to the project fund for which the indebtedness was issued.

Recommendation – The City should credit interest to the appropriate funds in accordance with Chapter 12C.9 of the Code of Iowa.

Response – Interest will be put in the proper fund in the future.

Conclusion – Response accepted.

- (9) Revenue Bonds – The City has not complied with the provision of the 1988 sewer revenue bond resolution which requires that the City cause the books and accounts to be audited annually at the expense of the City.

In addition, the City has not established the sinking and reserve accounts required by the 2001 sewer revenue bond resolution. The principal and interest coming due on these bonds was paid from the Debt Service Fund. This violates the bond resolution provisions which requires the principal and interest to be paid from earnings of the Sewer Fund.

Recommendation – The City should review the revenue bond provisions for compliance.

Response – The 1988 issue will expire next year and remaining bond issues will be reviewed and monitored for compliance from now on.

Conclusion – Response accepted.

- (10) Sewer and Road Construction Project – The City accounted for a sewer and road construction project in the Debt Service Fund, 2001 Sewer and County Line Road Accounts.

Recommendation – In accordance with guidance provided in the Iowa Department of Management's budget instructions, a capital projects fund should have been established to properly account for these capital projects.

Response – The new Clerk will credit funds to the proper accounts.

Conclusion – Response accepted.

City of Monroe

Schedule of Findings

Year ended June 30, 2002

- (11) TIF Collections – The City recorded tax increment financing collections in the General and Debt Service Funds.

Recommendation – Chapter 403.19(2) of the Code of Iowa requires that these monies “shall be allocated to and when collected be paid into a special fund of the municipality” to retire debt incurred. The City should record the receipt of tax increment financing monies in a special revenue fund of the City and retire tax increment financing debt directly from this fund.

Response – A Special Revenue Fund has been set up and funds will be transferred to the Debt Service Fund for repayment of general obligation debt. Tax increment financing debt will be retired directly from the Special Revenue Fund.

Conclusion – Response accepted.

- (12) Special Revenue Levies – The City levied property tax for employee benefits, as allowed by Chapter 384.6 of the Code of Iowa. However, the City recorded the property tax collections in the General Fund rather than establishing a Special Revenue Fund as required by the Iowa Department of Management’s budget instructions.

Recommendation – The City should establish a separate account for this special revenue levy and record the related transactions in this account.

Response –The employee benefits levy will be put in a special revenue account and transferred as needed.

Conclusion – Response accepted.

- (13) Separately Maintained Records – The custody of the Monroe Volunteer Fire Department Account was under the control of the Monroe Volunteer Fire Department. This account was not reflected in the City's accounting system and has not been included in the City's annual budget or monthly financial reports.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose.

Response – The Council will discuss this with the Fire Department to determine the best way to comply.

Conclusion – Response accepted.

City of Monroe

Staff

This audit was performed by:

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