

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

August 30, 2016

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$132,843 for the year ended June 30, 2015. The receipts included \$41,500 in property tax, \$43,668 from charges for service, \$29,459 from operating grants, contributions and restricted interest, \$16,685 from local option sales tax, \$231 from unrestricted interest on investments and \$1,300 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$146,460, and included \$45,228 for public works, \$25,594 for public safety and \$11,210 for general government. Also, disbursements for business type activities totaled \$52,439.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1522-0121-B00F>.

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**CITY OF LANESBORO**

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

**JUNE 30, 2015**

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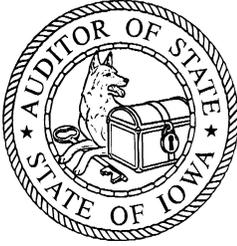
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**City of Lanesboro**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shirley Thompson	Mayor	Jan 2016
Bob Baker	Mayor Pro tem	Jan 2016
Gordy Toyne	Council Member	Jan 2016
Angie Richardson	Council Member	Jan 2018
Jamie Hanlon	Council Member	Jan 2018
Wanda Batta	Council Member	Jan 2018
Jeanne Gosch	City Clerk	Indefinite
David Morain	Attorney	Indefinite

**City of Lanesboro**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lanesboro, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Modified Opinions

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

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lanesboro as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

### Emphasis of a Matter

As discussed in Note 4, the City of Lanesboro adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lanesboro's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 31, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2016 on our consideration of the City of Lanesboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lanesboro's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

August 17, 2016

**City of Lanesboro**

## **Basic Financial Statements**

City of Lanesboro

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 25,594	-	18,943
Public works	45,228	10,424	10,110
Health and social services	7,634	-	-
Culture and recreation	4,355	-	-
General government	11,210	600	406
Total governmental activities	94,021	11,024	29,459
Business type activities:			
Water	40,465	20,340	-
Sewer	11,974	12,304	-
Total business type activities	52,439	32,644	-
Total	\$ 146,460	43,668	29,459
<b>General Receipts:</b>			
Property and other city tax levied for general purposes			
Local option sales tax			
Unrestricted interest on investments			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted:			
Fire department			
Employee benefits			
Debt service			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

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Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

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Governmental Activities	Business Type Activities	Total
(6,651)	-	(6,651)
(24,694)	-	(24,694)
(7,634)	-	(7,634)
(4,355)	-	(4,355)
(10,204)	-	(10,204)
(53,538)	-	(53,538)
-	(20,125)	(20,125)
-	330	330
-	(19,795)	(19,795)
(53,538)	(19,795)	(73,333)
41,500	-	41,500
-	16,685	16,685
108	123	231
1,300	-	1,300
42,908	16,808	59,716
(10,630)	(2,987)	(13,617)
188,535	(13,501)	175,034
\$ 177,905	(16,488)	161,417
\$ 6,184	-	6,184
12,820	-	12,820
-	1,918	1,918
158,901	(18,406)	140,495
\$ 177,905	(16,488)	161,417

**Exhibit B**

## City of Lanesboro

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

As of and for the year ended June 30, 2015

	Special Revenue			Total
	General	Road Use Tax	Nonmajor Employee Benefits	
Receipts:				
Property tax	\$ 33,865	-	6,743	40,608
Other city tax	739	-	153	892
Use of money and property	708	5	-	713
Intergovernmental	11,815	10,105	223	22,143
Charges for service	10,349	-	-	10,349
Miscellaneous	8,686	-	-	8,686
Total receipts	66,162	10,110	7,119	83,391
Disbursements:				
Operating:				
Public safety	25,594	-	-	25,594
Public works	10,839	34,389	-	45,228
Health and social services	7,634	-	-	7,634
Culture and recreation	4,355	-	-	4,355
General government	11,210	-	-	11,210
Total disbursements	59,632	34,389	-	94,021
Excess (deficiency) of receipts over (under) disbursements	6,530	(24,279)	7,119	(10,630)
Other financing sources (uses):				
Transfers in	1,122	-	-	1,122
Transfers out	-	-	(1,122)	(1,122)
Total other financing sources (uses)	1,122	-	(1,122)	-
Change in cash balances	7,652	(24,279)	5,997	(10,630)
Cash balances beginning of year	185,986	(4,274)	6,823	188,535
Cash balances end of year	\$ 193,638	(28,553)	12,820	177,905
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Fire department	\$ 6,184	-	-	6,184
Employee benefits	-	-	12,820	12,820
Assigned for fire truck	18,030	-	-	18,030
Unassigned	169,424	(28,553)	-	140,871
Total cash basis fund balances	\$ 193,638	(28,553)	12,820	177,905

See notes to financial statements.

City of Lanesboro

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

As of and for the year ended June 30, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 20,265	12,229	32,494
Miscellaneous	75	75	150
Total operating receipts	20,340	12,304	32,644
Operating disbursements:			
Business type activities	16,035	11,974	28,009
Excess of operating receipts over operating disbursements	4,305	330	4,635
Non-operating receipts (disbursements):			
Local option sales tax	16,685	-	16,685
Interest on investments	73	50	123
Debt service	(24,430)	-	(24,430)
Net non-operating receipts (disbursements)	(7,672)	50	(7,622)
Change in cash balances	(3,367)	380	(2,987)
Cash balances beginning of year	(38,053)	24,552	(13,501)
Cash balances end of year	\$ (41,420)	24,932	(16,488)
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 1,918	-	1,918
Unrestricted	(43,338)	24,932	(18,406)
Total cash basis fund balances	\$ (41,420)	24,932	(16,488)

See notes to financial statements.

**City of Lanesboro**

City of Lanesboro

Notes to Financial Statements

June 30, 2015

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

The City of Lanesboro is a political subdivision of the State of Iowa located in Carroll County. It was first incorporated in 1903 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lanesboro 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding 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 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.

The Special Revenue, 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 City reports the following major proprietary funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

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

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

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, 2015, disbursements exceeded the amounts budgeted in the public works, health and social services, general government and business type activities functions.

### **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

**(3) Bonds Payable**

Annual debt service requirements to maturity for the water revenue bonds are as follows:

Year Ending June 30,	Water Revenue Bonds		
	Principal	Interest	Total
2016	\$ 10,000	13,020	23,020
2017	11,000	12,720	23,720
2018	11,000	12,390	23,390
2019	11,000	12,060	23,060
2020	12,000	11,730	23,730
2021-2025	64,000	53,160	117,160
2026-2030	76,000	42,840	118,840
2031-2035	89,000	30,660	119,660
2036-2040	103,000	16,530	119,530
2041-2042	47,000	2,130	49,130
Total	\$ 434,000	207,240	641,240

Water Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$463,000 of water revenue bonds issued in April 2012. The City entered into a loan agreement with the Iowa Finance Authority for the issuance of the bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay a portion of the cost of constructing improvements and extensions to the municipal waterworks system of the City. The bonds are payable solely from water customer net receipts and are payable through 2042. Annual principal and interest payments on the bonds required 542% of net receipts. The total principal and interest remaining to be paid on the bonds is \$641,240. For the current year, principal and interest paid and total customer net receipts were \$23,320 and \$4,305, respectively.

The resolutions providing for the issuance of the revenue bonds 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 water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City did not make the required transfers to the water revenue bond sinking account and sufficient water rates were not established at a level to produce net receipts equal to at least 110% of the principal and interest on the water bonds as they came due.

#### **(4) Pension Plan**

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

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

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%.

The City’s contributions to IPERS for the year ended June 30, 2015 were \$1,304.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$7,970. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.000197%, which was an increase of 0.000020% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$597, \$439 and \$3,040, respectively.

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

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

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 15,059	7,970	1,986

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

**(5) 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.

**(6) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 1,122

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

**(7) Deficit Balances**

The Special Revenue, Road Use Tax and Enterprise, Water Funds had deficit balances at June 30 2015 of \$28,553 and \$41,420, respectively. The City is investigating ways to eliminate the deficits.

## **Other Information**

City of Lanesboro  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 40,608	-	40,608
Other city tax	892	16,685	17,577
Use of money and property	713	123	836
Intergovernmental	22,143	-	22,143
Charges for service	10,349	32,494	42,843
Miscellaneous	8,686	150	8,836
Total receipts	83,391	49,452	132,843
Disbursements:			
Public safety	25,594	-	25,594
Public works	45,228	-	45,228
Health and social services	7,634	-	7,634
Culture and recreation	4,355	-	4,355
Community and economic development	-	-	-
General government	11,210	-	11,210
Business type activities	-	52,439	52,439
Total disbursements	94,021	52,439	146,460
Excess (deficiency) of receipts over (under) disbursements	(10,630)	(2,987)	(13,617)
Balances beginning of year	188,535	(13,501)	175,034
Balances end of year	\$ 177,905	(16,488)	161,417

See accompanying independent auditor's report.

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Budgeted Amounts Original/Final	Final to Total Variance
41,127	(519)
891	16,686
-	836
-	22,143
41,000	1,843
-	8,836
83,018	49,825
28,300	2,706
16,100	(29,128)
100	(7,534)
5,000	645
2,000	2,000
8,500	(2,710)
50,000	(2,439)
110,000	(36,460)
(26,982)	13,365
41,295	133,739
14,313	147,104

City of Lanesboro

Notes to Other Information – Budgetary Reporting

June 30, 2015

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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 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. The City did not amend the budget during the year ended June 30, 2015.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works, health and social services, general government and business type activities functions.

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City of Lanesboro

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

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

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.000197%
City's proportionate share of the net pension liability	\$ 7.97
City's covered-employee payroll	\$ 13.15
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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City of Lanesboro

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
(In Thousands)

Other Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 1.30	1.17	0.99	0.90
Contributions in relation to the statutorily required contribution	(1.30)	(1.17)	(0.99)	(0.90)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 14.60	13.15	11.43	11.17
Contributions as a percentage of covered-employee payroll	8.90%	8.90%	8.66%	8.06%

See accompanying independent auditor's report.

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

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2011	2010	2009
0.83	0.78	0.68
(0.83)	(0.78)	(0.68)
-	-	-
11.96	11.78	10.74
6.94%	6.62%	6.33%

City of Lanesboro

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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

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

Changes of assumptions:

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

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

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

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

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

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

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

**City of Lanesboro**

## **Supplementary Information**

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

Obligation	Date of Issue	Interest Rate	Amount Originally Issued
Revenue bonds:			
Water	4/6/2012 *	3.00%	\$ 463,000

\* The City is required to annually pay a 0.25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 444,000	-	10,000	434,000	13,320

**City of Lanesboro**

## City of Lanesboro

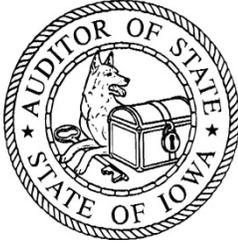
## Bond Maturities

June 30, 2015

Year Ending June 30,	Revenue Bonds	
	Water	
	Issued Apr 6, 2012	
	Interest Rates	Amount
2016	3.00%	\$ 10,000
2017	3.00	11,000
2018	3.00	11,000
2019	3.00	11,000
2020	3.00	12,000
2021	3.00	12,000
2022	3.00	12,000
2023	3.00	13,000
2024	3.00	13,000
2025	3.00	14,000
2026	3.00	14,000
2027	3.00	15,000
2028	3.00	15,000
2029	3.00	16,000
2030	3.00	16,000
2031	3.00	17,000
2032	3.00	17,000
2033	3.00	18,000
2034	3.00	18,000
2035	3.00	19,000
2036	3.00	19,000
2037	3.00	20,000
2038	3.00	21,000
2039	3.00	21,000
2040	3.00	22,000
2041	3.00	23,000
2042	3.00	24,000
Total		<u>\$ 434,000</u>

See accompanying independent auditor's report.

**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**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lanesboro, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 17, 2016. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lanesboro's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lanesboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lanesboro's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

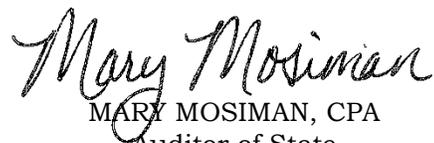
#### The City of Lanesboro's Responses to the Findings

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

#### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

August 17, 2016

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and having custody of City assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – investing, recording and custody.
- (4) Long-term debt – Recording and reconciling.
- (5) Receipts – collecting, depositing, posting and reconciling.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – purchasing, check writing, check signing, recording, reconciling and mailing.
- (8) Payroll – recordkeeping, preparing, entering pay rates, adding and removing employees from payroll and distributing.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting – preparing, reconciling and distributing.

For the Volunteer Fire Department one person has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – posting, reconciling and check writing.
- (3) Cash and investments – handling and recording cash and investing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

Response – The City has already implemented this. It was started at the last City Council meeting. The City will continue to work towards obtaining the maximum internal control possible utilizing current staff and elected officials.

Conclusion – Response accepted.

- (B) Bank Reconciliations – Monthly bank reconciliations including a list of outstanding checks were not prepared.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile and include all City activity. In addition, a listing of outstanding checks should be prepared each month and retained.

Response – The City is working to establish procedures to ensure bank and investment account balances, including all of the City's financial reports, are reconciled to the general ledger monthly. Variances, if any, will be reviewed and resolved timely.

Conclusion – Response accepted.

- (C) Financial Reporting – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City, including property tax levied for specific purposes and road use tax.

The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments recommended by the City Finance Committee. As a result, totals of receipts by fund and source and disbursements by fund and function were not maintained to facilitate preparation of and to support the Annual Financial Report (AFR).

The City only included the checking account activity on the AFR. Additionally, the commercial and industrial replacement was recorded as property tax rather than intergovernmental. Adjustments were made to properly report this receipt in the City's financial statements.

Monthly financial reports, including fund balances and comparisons of actual results to budget by function, were not compiled from accounting records and provided to the City Council for review and approval.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

Recommendation – The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. To provide better financial information and control, the recommended COA, or its equivalent, should be followed. Receipts by fund and source and disbursements by fund and function should be maintained to facilitate preparation of and to support the AFR. All activity should be included and should be reviewed for accuracy.

Monthly financial reports provided to the City Council should include fund balances and comparisons of disbursements by function to the budgeted amounts.

Response – The City will establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. Receipts by fund and source and disbursements by fund and function will be maintained to facilitate preparation of and to support the AFR. Monthly financial reports provided to the City Council will include fund balances and comparison of disbursements by function to the budgeted amounts.

Conclusion – Response accepted.

- (D) Utility Records and Reconciliations – Sufficient supporting documentation was not consistently maintained for utility billings, collections and delinquencies. Utility billings, collections and delinquent accounts were not reconciled throughout the year and delinquent account listings were not maintained.

Recommendation – Sufficient supporting documentation should be maintained for all utility records. Delinquent account listings should be maintained and procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or a City Council designated independent person should review the reconciliations and monitor delinquencies. The review should be documented by the signature or initials of the reviewer and the date of review.

Response – The City will establish procedures to ensure sufficient supporting documentation, including delinquent account listings, is maintained. The City will establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. A City Council Member will review the reconciliations and monitor delinquencies. The review will be documented by the signature or initials of the reviewer and the date of review.

Conclusion – Response accepted.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

- (E) Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer system were noted:

The City does not have written policies over the computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring preparation and storage of backup tapes/disks.
- Procedures to ensure financial information entered is approved, accurate and complete.

Also, the City does not have a written disaster recovery plan and a computer log is not maintained to determine who recorded a transaction based on an employee’s login name. The City also does not retain all records for the legally required time.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over the computer system. Also, a written disaster recovery plan should be developed and the City should review the records retention policy to ensure it is in compliance.

Response – The City will develop written policies addressing the above items in order to improve the City’s control over the computer system. Passwords will be changed every 60 days and weekly backups will be performed and retained. The City will ensure records are retained as required.

Conclusion – Response accepted.

- (F) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate, principal amount and interest received.

Response – A detailed record of investment transactions by fund will be maintained.

Conclusion – Response accepted.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

- (G) Receipts and Deposits – The City did not issue prenumbered receipts for collections. Also, utility receipts were not always deposited timely.

Recommendation – To strengthen controls over receipts and to safeguard cash, prenumbered receipts should be issued at time of collection. These receipts should be recorded and reconciled with deposits and the reconciliation should be reviewed periodically by an independent person, evidenced by their initials and date of review. Additionally, all collections should be deposited intact and timely.

Response – The City will implement the use of prenumbered receipts and all collections will be deposited timely.

Conclusion – Response accepted.

- (H) Volunteer Fire Department – Invoices and other supporting documentation were not available to support disbursements.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

Response – The City will work with the Volunteer Fire Department to ensure all disbursements are supported by invoices or other supporting documentation.

Conclusion – Response accepted.

- (I) Payroll – The following were identified:

- Timesheets are not maintained for all employees and there was no indication hours worked were approved by appropriate supervisory personnel prior to preparation of the payroll.
- Not all wage rates were approved by the City Council and documented in the minutes record.
- The amount paid to one employee for hours worked in May 2015 did not match with the record maintained by the Clerk.

Recommendation – Timesheets should be kept to support hours worked and should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll to ensure payment agrees with time records. The approval should be documented by the signature or initials of the reviewer and the date of the review. Salary/wage rates for all employees should be approved by the City Council and documented in the minutes record.

Response – Timesheets will be maintained and reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. Salary/wage rates for all employees will be approved by the City Council and documented in the minutes record. The City will also work to ensure the accuracy of the payroll records.

Conclusion – Response accepted.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

(J) Accounting Procedures Manual – The City does not have a current accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – The City will develop an accounting policies and procedures manual to meet the goals stated above.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

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

- (1) Certified Budget – During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works, health and social services, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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 before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – A disbursement we believe may not meet the requirements 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 was noted. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
South Central Calhoun	After Prom Donation	\$25

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.

Response – The City will document public purpose in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

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

Although minutes of City Council proceedings were posted, they did not contain a summary of receipts or disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

Minutes of the City Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa.

Additionally, the City did not post annual gross salaries as required by an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and publish minutes as required, including a summary of receipts and disbursements by fund. Annual gross salaries should also be posted as required. All minutes should be signed and approved to authenticate the actions taken.

Response – The minutes will contain a summary of receipts and disbursements by fund. All minutes will be signed as required. Annual gross salaries will be posted as required.

Conclusion – Response accepted.

- (7) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. A resolution in the amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Response – The City will adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. A resolution in the amounts sufficient to cover anticipated balances at all approved depositories will be adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Conclusion – Response accepted.

- (8) Revenue Bonds – Although a sinking account has been established, the City did not make the required transfers to the sinking account. Also, the City does not pay for water used by the City. Section 6 of the water revenue bond resolution states that "the City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the utility, including the City."

Additionally, the City has not established water rates to produce net operating revenues equal to at least 110% of the principal and interest coming due each year as required by the bond resolution.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

Recommendation – The City should make sufficient transfers to and payments from the sinking accounts as required by the bond resolution. In addition, the City should ensure net operating receipts for the Enterprise, Water Fund are sufficient to make required debt service payments and comply with the revenue bond resolution including the provision requiring the City pay for water service.

Response – The City will make the necessary transfer to and make payments from the sinking account as required by the bond resolution. The City will pay for water usage as required. The City will work to ensure water rates are sufficient to produce the required minimum net operating revenue.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue, Road Use Tax and Enterprise, Water Funds had deficit balances at June 30, 2015 of \$28,553 and \$41,420, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Response – The City will investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Conclusion – Response accepted.

- (10) Separately Maintained Records – The Volunteer Fire Department maintains bank accounts for fundraiser and donation activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, adjustments were made to include the transactions and the resulting balances in the financial statements.

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

Response – The financial activity and balances of all City accounts will be included in the City’s accounting records and annual budget.

Conclusion – Response accepted.

- (11) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City and Fire Department do not obtain images of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Volunteer Fire Department separately maintained accounts, as required.

Response – The City will obtain and retain an image of both the front and back of each cancelled check for all accounts, including the Volunteer Fire Department separately maintained accounts, as required.

Conclusion – Response accepted.

City of Lanesboro

Schedule of Findings

Year ended June 30, 2015

- (12) Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies a tax for payment of costs related to employee benefits. The levied tax should be accounted for in the Special Revenue, Employee Benefits Fund. The City has not established fund accounting to properly account for these receipts and the related allowable disbursements. For fiscal years 2013 through 2015, the City levied amounts for the employee benefits levy in excess of the amounts spent. As a result, the Special Revenue, Employee Benefits Fund cash balance of \$12,820 at June 30, 2015 appears excessive.

Recommendation – The City should establish procedures to properly account for the employee benefits tax receipts and allowable disbursements. The City should reduce the balance of the Special Revenue, Employee Benefits Fund to a reasonable amount through reductions in future tax askings.

Response – The City will establish procedures to properly account for the employee benefits tax receipts and allowable disbursements. The City will work to reduce the balance of the Special Revenue, Employee Benefits Fund to a reasonable amount through reductions in future tax askings.

Conclusion – Response accepted.

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

City of Lanesboro

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Emma L. McGrane, Staff Auditor  
Tara H. Williams, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State