



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

January 24, 2017

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$355,825 for the year ended June 30, 2016. The receipts included \$65,837 of property tax, \$166,667 of charges for service, \$87,727 of operating grants, contributions and restricted interest, \$30,414 of local option sales tax, \$518 of unrestricted interest on investments and \$4,662 of other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$331,535, and included \$109,795 for public works, \$53,683 for public safety and \$44,594 for general government. Also, disbursements for business type activities totaled \$113,367.

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/1622-0859-B00F>.

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**CITY OF MILTON**

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

**JUNE 30, 2016**

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**City of Milton**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Boyd	Mayor	Jan 2016
Jeremy Thomas	Mayor Pro tem	Jan 2016
Cindy Bruce	Council Member	Jan 2016
Delores Cole	Council Member	Jan 2016
Christine Fields	Council Member	Jan 2018
Fawn McCann	Council Member	Jan 2018
Rhonda Woodruff	City Clerk/Treasurer	Indefinite
Elaine Gray	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Fields	Mayor	Jan 2020
Kelly Gordy	Mayor Pro tem	Jan 2020
Christine Fields	Council Member	Jan 2018
Fawn McCann	Council Member	Jan 2018
Lester Findley	Council Member	Jan 2020
Shannon Sample	Council Member	Jan 2020
Rhonda Woodruff	City Clerk/Treasurer	Indefinite
Elaine Gray	Attorney	Indefinite

**City of Milton**



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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 Milton, Iowa, as of and for the year ended June 30, 2016, 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, 2015.

### 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, 2015, 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 Milton as of June 30, 2016, 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 described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milton's basic financial statements. The supplementary information included in Schedules 1 through 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 30, 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 January 9, 2017 on our consideration of the City of Milton'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 Milton's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

January 9, 2017

**City of Milton**

## **Basic Financial Statements**

City of Milton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 53,683	1,888	13,503	-
Public works	109,795	35,144	43,448	-
Culture and recreation	8,377	-	-	-
Community and economic development	1,719	-	-	-
General government	44,594	704	30,776	-
Total governmental activities	218,168	37,736	87,727	-
Business type activities:				
Water	55,851	68,582	-	-
Sewer	57,516	60,349	-	-
Total business type activities	113,367	128,931	-	-
Total	\$ 331,535	166,667	87,727	-
<b>General Receipts:</b>				
Property and other city tax levied for general purposes				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Franchise fees				
Miscellaneous				
Sale of capital assets				
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:				
Streets				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(38,292)	-	(38,292)
(31,203)	-	(31,203)
(8,377)	-	(8,377)
(1,719)	-	(1,719)
(13,114)	-	(13,114)
(92,705)	-	(92,705)
-	12,731	12,731
-	2,833	2,833
-	15,564	15,564
(92,705)	15,564	(77,141)
65,837	-	65,837
30,414	-	30,414
1,397	-	1,397
395	123	518
2,739	-	2,739
426	-	426
100	-	100
101,308	123	101,431
8,603	15,687	24,290
54,083	42,426	96,509
\$ 62,686	58,113	120,799
\$ 1,652	-	1,652
-	893	893
27,477	-	27,477
33,557	57,220	90,777
\$ 62,686	58,113	120,799

City of Milton

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

As of and for the year ended June 30, 2016

	General	Special	
		Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 60,017	-	-
Other city tax	2,965	-	30,414
Licenses and permits	2,989	-	-
Use of money and property	395	-	-
Intergovernmental	35,145	43,448	-
Charges for service	35,144	-	-
Miscellaneous	4,734	-	-
Total receipts	141,389	43,448	30,414
Disbursements:			
Operating:			
Public safety	51,039	-	-
Public works	36,041	44,281	29,473
Culture and recreation	8,377	-	-
Community and economic development	1,719	-	-
General government	42,263	-	-
Total disbursements	139,439	44,281	29,473
Excess (deficiency) of receipts over(under) disbursements	1,950	(833)	941
Other financing sources (uses):			
Sale of property	100	-	-
Change in cash balances	2,050	(833)	941
Cash balances beginning of year	24,921	2,485	26,536
Cash balances end of year	\$ 26,971	1,652	27,477
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	1,652	-
Other purposes	-	-	27,477
Assigned for fire station	-	-	-
Unassigned	26,971	-	-
Total cash basis fund balances	\$ 26,971	1,652	27,477

See notes to financial statements.

Revenue		
Milton Community Fire Association	Nonmajor Employee Benefits	Total
-	2,718	62,735
-	137	33,516
-	-	2,989
-	-	395
-	62	78,655
-	-	35,144
8,503	-	13,237
8,503	2,917	226,671
2,644	-	53,683
-	-	109,795
-	-	8,377
-	-	1,719
-	2,331	44,594
2,644	2,331	218,168
5,859	586	8,503
-	-	100
5,859	586	8,603
909	(768)	54,083
6,768	(182)	62,686
-	-	1,652
-	-	27,477
6,768	-	6,768
-	(182)	26,789
6,768	(182)	62,686

**Exhibit C**

## City of Milton

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

As of and for the year ended June 30, 2016

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 65,355	58,018	123,373
Miscellaneous	3,227	2,331	5,558
Total operating receipts	68,582	60,349	128,931
Operating disbursements:			
Business type activities	54,583	34,640	89,223
Excess of operating receipts over operating disbursements	13,999	25,709	39,708
Non-operating receipts (disbursements):			
Interest on investments	45	78	123
Debt service	(1,268)	(22,876)	(24,144)
Net non-operating receipts (disbursements)	(1,223)	(22,798)	(24,021)
Excess of receipts over disbursements	12,776	2,911	15,687
Change in cash balances	12,776	2,911	15,687
Cash balances beginning of year	11,541	30,885	42,426
Cash balances end of year	\$ 24,317	33,796	58,113
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ -	893	893
Unrestricted	24,317	32,903	57,220
Total cash basis fund balances	\$ 24,317	33,796	58,113

See notes to financial statements.



City of Milton

Notes to Financial Statements

June 30, 2016

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

The City of Milton is a political subdivision of the State of Iowa located in Van Buren County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Milton 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.

Blended Component Unit

The Milton Community Fire Association has been incorporated under the provision of the Iowa Nonprofit Corporation Act for the purpose of supporting the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Milton Community Fire Association meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Van Buren County Assessor's Conference Board, City Assessor's Conference Board, Van Buren County Emergency Management Commission, Van Buren County Landfill Commission, Van Buren County Joint E911 Service Board and the Milton Heritage 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 or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections used for street repairs and sewer and water improvements.

The Milton Community Fire Association Fund is used to account for the charges for service and operation of the fire service.

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, 2016, disbursements exceeded the amount budgeted in the general government function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Long-Term Debt**

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

Year Ending June 30,	Sewer Revenue Bonds		Total
	Principal	Interest	
2017	\$ 7,000	3,720	10,720
2018	7,000	3,510	10,510
2019	8,000	3,300	11,300
2020	8,000	3,060	11,060
2021	8,000	2,820	10,820
2022-2026	45,000	10,320	55,320
2027-2030	41,000	3,120	44,120
Total	\$ 124,000	29,850	153,850

Sewer Revenue Bonds

On February 3, 2010, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$295,000 of sewer revenue bonds with an interest rate of 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provision of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the sanitary sewer system of the City. The City drew funds from the Iowa Finance Authority upon request to reimburse the City for cost as they were incurred. At June 30, 2016, the City had drawn \$167,000 of the \$295,000 authorized amount. During fiscal year 2016, the City paid principal of \$7,000 and interest of \$3,930 on the bonds. The outstanding principal balance at June 30, 2016 was \$124,000.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue bonds issued in February 2010. Proceeds from the bonds provided financing for the construction of sewer improvements and extensions. The bonds are payable solely from sewer customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 45% of net receipts. The total principal and interest remaining to be paid on the bond issue is \$153,850. For the current year, principal and interest paid and total customer net receipts were \$10,930 and \$25,709, respectively.

The resolution 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 Sewer Fund and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Sewer Fund 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 sewer revenue bond sinking account as required by the sewer revenue bond resolution.

#### Loan Agreements

On July 15, 2014, the City entered into a loan agreement with First Iowa State Bank for \$31,727, with interest at 4.5% per annum, for street improvements. The agreement is payable through 2017 and requires monthly payments of \$1,000. During fiscal year 2016, the City paid principal of \$11,245 and interest of \$755 on the loan. The remaining balance on the loan of \$10,562 plus interest will be paid during fiscal year 2017.

On July 8, 2009, the City entered into a loan agreement with First Iowa State Bank for \$55,000, with interest at 4.5% per annum, for repairs to the City's water system. The agreement required monthly principal and interest payments of \$1,000. The loan was paid in full on August 3, 2015.

On Nov 1, 2006, the City entered into a loan agreement with First Iowa State Bank for \$60,000, with interest at 4.5% per annum, for expenses related to wastewater improvement projects. The agreement required monthly principal and interest payments of \$1,900. The loan was paid in full on October 7, 2015.

#### **(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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

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

In fiscal year 2016, 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, 2016 totaled \$4,156.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$32,673 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.000657%, which was a decrease of 0.000058% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$2,755, \$6,282 and \$7,608, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
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 employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability 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% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 57,204	32,673	11,967

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) Deficit Balance**

The Employee Benefits Fund had a deficit balance of \$182 at June 30, 2016. The City is investigating alternatives to eliminate the deficit, which include future cost savings measures and/or anticipated receipts.

**City of Milton**

## **Other Information**

City of Milton  
 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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 62,735	-	-
Other city tax	33,516	-	-
Licenses and permits	2,989	-	-
Use of money and property	395	123	-
Intergovernmental	78,655	-	-
Charges for service	35,144	123,373	-
Miscellaneous	13,237	5,558	8,503
Total receipts	226,671	129,054	8,503
Disbursements:			
Public safety	53,683	-	2,644
Public works	109,795	-	-
Culture and recreation	8,377	-	-
Community and economic development	1,719	-	-
General government	44,594	-	-
Business type activities	-	113,367	-
Total disbursements	218,168	113,367	2,644
Excess (deficiency) of receipts over (under) disbursements	8,503	15,687	5,859
Other financing sources, net	100	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,603	15,687	5,859
Balances beginning of year	54,083	42,426	909
Balances end of year	\$ 62,686	58,113	6,768

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
62,735	62,253	62,253	482
33,516	29,123	35,708	(2,192)
2,989	250	250	2,739
518	850	850	(332)
78,655	41,035	69,845	8,810
158,517	173,000	173,000	(14,483)
10,292	3,000	3,750	6,542
347,222	309,511	345,656	1,566
51,039	24,673	53,483	2,444
109,795	93,285	109,827	32
8,377	12,028	12,028	3,651
1,719	1,000	1,900	181
44,594	37,819	41,509	(3,085)
113,367	129,858	129,858	16,491
328,891	298,663	348,605	19,714
18,331	10,848	(2,949)	21,280
100	-	-	100
18,431	10,848	(2,949)	21,380
95,600	87,168	87,168	8,432
114,031	98,016	84,219	29,812

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City of Milton

Notes to Other Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$49,942. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the general government function.

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City of Milton

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

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

Other Information

	2016	2015
City's proportion of the net pension liability	0.000657%	0.000715%
City's proportionate share of the net pension liability	\$ 33	29
City's covered-employee payroll	\$ 45	48
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.33%	60.42%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report.

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City of Milton

Schedule of City Contributions

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

Other Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 4	4	4	4
Contributions in relation to the statutorily required contribution	(4)	(4)	(4)	(4)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 47	45	48	44
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

**Note:** 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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2012	2011	2010
3	4	3
(3)	(4)	(3)
-	-	-
43	52	46
8.07%	6.95%	6.65%

City of Milton

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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 future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Supplementary Information**

City of Milton  
Schedule of Indebtedness  
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Loan agreements:			
Street repairs	Jul 15, 2014	4.50% \$	31,727
Water improvements	Jul 8, 2009	4.50	55,000
Sanitary sewer	Nov 1, 2006	4.50	60,000
Total			
Revenue bonds:			
Sewer	Feb 3, 2010	3.00% * \$	167,000

\* The agreement also requires the City 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
21,807	-	11,245	10,562	755
1,262	-	1,262	-	6
11,378	-	11,378	-	241
\$ 34,447	-	23,885	10,562	1,002
131,000	-	7,000	124,000	3,930

**Schedule 2**

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City of Milton  
Bond Maturities  
June 30, 2016

Year Ending June 30,	Revenue Bonds	
	Sewer	
	Issued Feb 3, 2010	
	Interest	
	Rates	Amount
2017	3.00%	\$ 7,000
2018	3.00	7,000
2019	3.00	8,000
2020	3.00	8,000
2021	3.00	8,000
2022	3.00	8,000
2023	3.00	9,000
2024	3.00	9,000
2025	3.00	9,000
2026	3.00	10,000
2027	3.00	10,000
2028	3.00	10,000
2029	3.00	10,000
2030	3.00	11,000
Total		<u>\$ 124,000</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**

**City of Milton**





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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Milton, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2017. 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, 2015.

Internal Control Over Financial Reporting

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Milton'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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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 Milton's Responses to the Findings

The City of Milton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Milton'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 Milton 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

January 9, 2017

City of Milton

Schedule of Findings

Year ended June 30, 2016

**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) Financial reporting – preparing, reconciling and distributing.

Additionally, the City has no disciplinary action plan.

For the Milton Community Fire Association, 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, 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. The City should also check credentials and references of any new employees.

City of Milton

Schedule of Findings

Year ended June 30, 2016

Response – The City will review its control procedures and look into setting up a disciplinary action plan.

Conclusion – Response accepted.

- (B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations did not include investments and other reconciling items necessary to reconcile with the monthly financial reports. Also, the reconciliations did not contain evidence of an independent review.

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. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – The City will ensure all reconciling items are included and an independent person will review and sign bank reconciliation.

Conclusion – Response accepted.

- (C) Monthly Financial Reports – Monthly financial reports to the City Council included cash and investment fund balances only and did not include comparisons to certified budgets by program. Also, interest is not included until the following month causing a variance.

Recommendation – To provide better control of budgeted disbursements and the opportunity for timely amendments to the budget, the Clerk's monthly financial reports to the City Council should include comparisons to certified budget by program. Also, all reconciling items, including interest, should be included.

Response – The City Council will be given a list of the certified budget by program to compare each month with the expenses and revenue ledgers. The city will include interest in the current month's treasurer's report.

Conclusion – Response accepted.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections, delinquent accounts and adjustments were not reconciled during the year.

Recommendation – Procedures should be established to reconcile utility billings, collections, delinquent accounts and adjustments for each billing period. The City Council or other independent person should review the reconciliations and monitor delinquencies.

Response – Procedures will be established to reconcile utility billings, collections, delinquent accounts and adjustments for each billing period and delinquencies will be reviewed monthly by the City Council.

Conclusion – Response accepted.

City of Milton

Schedule of Findings

Year ended June 30, 2016

- (E) Disaster Recovery Plan – The City does not have a written, approved disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan, approved by the City Council. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site. Additionally, weekly back up computer files, copies of user documentation and the disaster recovery plan should be maintained at an off-site location.

Response – The City will check into establishing a disaster recovery plan for the City.

Conclusion – Response accepted.

- (F) Disbursements – Invoices and other supporting documentation were not always available to support disbursements for fuel card charges. Receipts for \$272.66 of fuel card charges were not maintained. In addition, an invoice or receipt could not be located for one Milton Community Fire Association transaction in the amount of \$267.78.

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

Response – The City will stress the importance to all personnel the need to turn in all receipts for fuel card charges promptly along with any other supporting documentation.

Conclusion – Response accepted.

- (G) Payroll – While timecards are maintained for hourly employees, there is no evidence of supervisor review and approval.

Recommendation – Timecards should be reviewed and approved by a supervisor and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Timecards will be reviewed by a supervisor and evidenced by their signature and date.

Conclusion – Response accepted.

- (H) 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.

City of Milton

Schedule of Findings

Year ended June 30, 2016

- (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 look into developing an accounting policies and procedures manual.

Conclusion – Response accepted.

- (I) Countersignature of Checks – The City required only one signature for a check to be issued.

Recommendation – To strengthen internal control, each check should be prepared and signed by one individual and then the supporting vouchers and invoices should be made available along with the check to the second or independent individual for review and countersignature.

Response – The City will require a countersignature of checks.

Conclusion – Response accepted.

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

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

Response – The City will adopt a written credit card policy that will address who controls the cards, who may use them, what the purposes are and what documentation is required to be maintained for support.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Milton

Schedule of Findings

Year ended June 30, 2016

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

- (1) Certified Budget – During the year ended June 30, 2016, disbursements exceeded the amount budgeted in the general government function. 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 City will work to have the budget amended in a timely manner.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Meeting Minutes – No transactions were found that we believe should have been approved in the City Council meeting minutes but were not.
- (7) Deposits and Investments – The City has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. However, resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – 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 resolution naming the official depository.

Conclusion – Response accepted.

- (8) Revenue Bonds – Although a sinking account has been established as required by the revenue bond resolution, the City did not make the required monthly transfers to the sinking account during the fiscal year. In addition, a reserve account has not been established as required. Also, Section 6 of the sewer 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." The City does not pay for sewer usage.

City of Milton

Schedule of Findings

Year ended June 30, 2016

Recommendation – The City should ensure monthly transfers are made to the sinking and reserve accounts as required. In addition, the City should establish procedures to ensure the City is charged for sewer usage.

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 sewer usage as required.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue Employee Benefits Fund had a deficit balance of \$182 at June 30, 2016.

Recommendation – The City should investigate alternatives to eliminate this deficit balance to return the fund to a sound financial position.

Response – A levy is established for this fund in the city budget for the amount necessary and will correct itself as tax money are collected. The City will monitor this account to ensure a positive balance is maintained.

Conclusion – Response accepted.

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

Response – The City’s bank does not routinely provide images of the backs of cancelled checks but will provide an image upon request.

Conclusion – Response acknowledged. The City should comply with Chapter 554D.114 of the Code of Iowa and retain an image of both the front and back of each cancelled check.

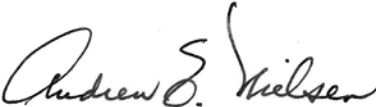


City of Milton

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Emma L. McGrane, Staff Auditor  
Tyler A. Propst, Assistant Auditor  
Kristin R. Finke, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State