



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 17, 2018

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$3,234,721 for the year ended June 30, 2017, a 15.1% decrease from the prior year. The receipts included \$954,829 of property tax, \$154,135 of tax increment financing, \$827,133 of charges for service, \$108,223 of operating grants, contributions and restricted interest, \$665,821 of capital grants, contributions and restricted interest, \$310,908 of local option sales tax, \$28,413 of unrestricted interest on investments, \$116,081 of proceeds from the sale of capital assets and \$54,395 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$4,073,344, a 28.6% increase over the prior year, and included \$1,489,670 for capital projects, \$699,123 for public works and \$499,277 for public safety. Also, disbursements for business type activities totaled \$380,582.

The significant decrease in receipts is due primarily to the receipt of note proceeds in the prior year. The significant increase in disbursements is due primarily to increased costs for the City's capital projects related to improvements to the City's commercial district.

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/1720-0052-B00F>.

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LA PORTE CITY

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

JUNE 30, 2017

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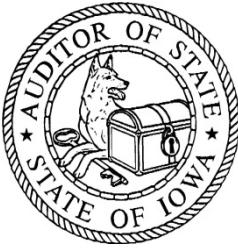
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La Porte City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Neil	Mayor	Jan 2018
Eric Allsup	Mayor Pro tem	Jan 2018
David Williams	Council Member	(Resigned Dec 2016)
Chad Van Dyke (Appointed Dec 2016)	Council Member	Feb 2017
Brent Sadler	Council Member	Jan 2018
Jasmine Gaston (Elected Feb 2017)	Council Member	Jan 2020
Kristi Harrill	Council Member	Jan 2020
Mike Johnson	Council Member	Jan 2020
Jane Whittlesey	City Clerk/Treasurer	Indefinite
Kevin Ahrenholz	Attorney	(Resigned May 2017)
Laura Folkerts (Appointed Sep 2017)	Attorney	Indefinite

La Porte City



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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit each major fund and the aggregate remaining fund information of the City of La Porte City as of June 30, 2017, 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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Porte City's basic financial statements. The financial statements for the nine years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 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, Management's Discussion and Analysis, 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 9 through 14 and 34 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 18, 2018 on our consideration of La Porte City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering La Porte City's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

April 18, 2018

La Porte City

MANAGEMENT'S DISCUSSION AND ANALYSIS

La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 16.9%, or approximately \$564,000, from fiscal year 2016 to fiscal year 2017. Property tax increased approximately \$48,000 and capital grants, contributions and restricted interest increased \$577,597. Note proceeds decreased \$843,190.
- Disbursements of the City's governmental activities increased 34.7%, or approximately \$951,000, in fiscal year 2017 from fiscal year 2016. Debt service and capital projects disbursements increased approximately \$80,000 and \$982,000, respectively.
- The City's total cash basis net position decreased 24.6%, or approximately \$838,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities decreased \$838,059 and the cash basis net position of the business type activities decreased \$566.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness

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. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the ambulance and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Library and Museum, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Sewer and Ambulance Funds, considered to be major funds of the City.

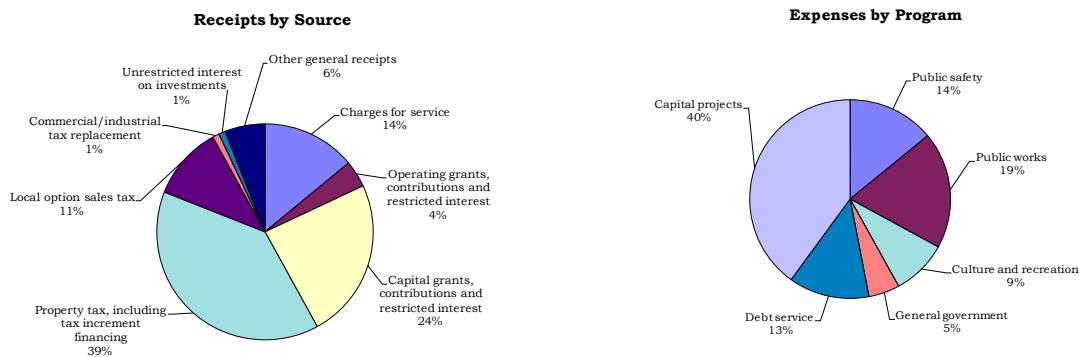
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.839 million to approximately \$2.001 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 379,045	306,291
Operating grants, contributions and restricted interest	104,042	394,233
Capital grants, contributions and restricted interest	665,821	88,224
General receipts:		
Property tax, including tax increment financing	1,108,964	1,061,185
Local option sales tax	310,908	279,050
Commercial/industrial tax replacement	14,781	15,920
Unrestricted interest on investments	19,246	17,488
Note proceeds	-	843,190
Other general receipts	170,476	331,935
Total receipts	2,773,283	3,337,516
Disbursements:		
Public safety	499,277	509,427
Public works	699,123	739,423
Health and social services	8,313	8,180
Culture and recreation	342,553	375,601
Community and economic development	6,765	50,717
General government	178,732	162,651
Debt service	468,329	387,953
Capital projects	1,489,670	507,645
Total disbursements	3,692,762	2,741,597
Change in cash basis net position before transfers	(919,479)	595,919
Transfers, net	81,420	42,013
Change in cash basis net position	(838,059)	637,932
Cash basis net position beginning of year	2,838,870	2,200,938
Cash basis net position end of year	\$ 2,000,811	2,838,870



The City's total receipts for governmental activities decreased 16.9%, or approximately \$564,000, from the prior year, primarily the result of the issuance of general obligation notes in the prior year. The total cost of all programs and services increased approximately \$951,000 or 34.7% with capital project disbursements increasing by \$982,000 or 193.4% as a result of construction costs associated with the downtown façade project.

The cost of all governmental activities this year was approximately \$3.693 million compared to approximately \$2.742 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$2.544 million because some of the cost was paid by those directly benefited from the programs (approximately \$379,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$770,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$789,000 to approximately \$1.149 million, principally due to receiving grant proceeds to complete improvements to the City's commercial district.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 321,785	322,329
Ambulance	126,303	110,415
Operating grants, contributions and restricted interest	4,181	35,072
General receipts:		
Unrestricted interest on investments	9,167	2,839
Other general receipts	-	2,507
Total receipts	<u>461,436</u>	<u>473,162</u>
Disbursements:		
Sewer	286,173	286,586
Ambulance	94,409	139,351
Total disbursements	<u>380,582</u>	<u>425,937</u>
Change in cash basis net position before transfers	80,854	47,225
Transfers, net	<u>(81,420)</u>	<u>(42,013)</u>
Change in cash basis net position	(566)	5,212
Cash basis net position beginning of year	<u>565,501</u>	<u>560,289</u>
Cash basis net position end of year	<u>\$ 564,935</u>	<u>565,501</u>

Total business type activities receipts for the fiscal year were approximately \$461,000 compared to approximately \$473,000 last year. This decrease was due primarily to a reduction in operating grant receipts. The City received a grant of \$30,000 in fiscal year 2016 for defibrillators. Total disbursements for the fiscal year decreased 10.6% to approximately \$381,000. The cash balance remained relatively stable with the prior year balance.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As La Porte City completed the year, its governmental funds reported a combined fund balance of \$2,000,811, a decrease of more than \$838,000 below last year's total of \$2,838,870. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$118,880 from the prior year to \$930,981. This increase is attributable to the inclusion of the equipment reserve fund in the General Fund for the first time, as well as less than anticipated disbursements in the public works and aquatic center budgets.
- The Special Revenue, Road Use Tax Fund cash balance increased \$17,839 to \$486,305. This increase was primarily attributable to the repayment of an interfund loan from the Special Revenue, Tax Increment Financing Fund during fiscal year 2017.
- The Special Revenue, Library and Museum Fund accounts for contributions, fundraisers and grants for the Library and Ag Museum. At the end of the fiscal year, the cash balance was \$429,747, remaining relatively stable to the previous year.
- The Debt Service Fund cash balance decreased \$4,522 to \$30,022. This decrease was due to an increase in debt service payments during fiscal year 2017 as a result of the additional debt issuance at the end of the prior year.
- The Capital Projects Fund cash balance decreased \$966,536 to \$65,903. This decrease was due to the completion of various capital projects including Bishop Avenue reconstruction and improvements to the City's commercial district.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased \$39,452 to \$360,089, due primarily to transfers of surplus funds to the Debt Service Fund and Capital Projects Fund.
- The Enterprise, Ambulance Fund cash balance increased \$38,886 to \$204,846, due primarily to an increase in user fees as a result of an increase in services being provided.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 10, 2017 and resulted in an increase in operating disbursements related to costs for the downtown façade program, the Bishop Avenue reconstruction, a note payment, self-funded insurance and capital equipment purchases. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$428,816 less than budgeted. This was primarily due to grant receipts for two capital projects received in fiscal year 2018, rather than fiscal year 2017 as budgeted.

Actual disbursements for the business type activities, capital projects and public works functions were \$1,035,499 \$258,630 and \$81,833, respectively, less than the amended budget. This was primarily due to delays in planned improvements to the City's sanitary sewer treatment plant, disbursements for improvements to the City commercial district expended in fiscal year 2018, rather than fiscal year 2017 as budgeted and personnel changes in the public works department that resulted in wage and benefit savings as well as street projects with total costs less than budgeted.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$3,105,000 of general obligation bonds outstanding, compared to \$3,495,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3.3 million, including tax increment financing (TIF) debt of approximately \$183,624 is significantly below its constitutional debt limit of approximately \$5.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

La Porte City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

In the past five years, the City has seen very little growth in residential housing, despite a new housing development established 2008. As a result, the City has at times struggled to meet the demand for services without substantial increases to the levy rate. In fiscal year 2018, the City began development of an Urban Renewal Plan with the hope of spurring new development.

With the completion of the Downtown Façade Improvement Grant program in the fall of 2017, the City will now look to continue improvements to the City's commercial district by developing plans for Main Street rehabilitation, a project expected to begin within the next five years.

While the City has made efforts to comply with mandated improvements to its wastewater treatment plant, including scheduled rate increases in anticipation of the issuance of debt for the required updates, delays in getting plan approval from the Iowa Department of Natural Resources has delayed the start of the project for an unknown period of time. The City has delayed any new rate increases until there is further information on when the project will start.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Whittlesey, City Clerk, 202 Main Street, La Porte City, Iowa 50651.

Basic Financial Statements

La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Charges for Service	Program Receipts			
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
Functions/Programs:						
Primary Government:						
Governmental activities:						
Public safety	\$ 499,277	36,625	55,688	-		
Public works	699,123	240,213	9,140	283,668		
Health and social services	8,313	5,301	-	-		
Culture and recreation	342,553	74,903	37,857	2,275		
Community and economic development	6,765	22,003	578	-		
General government	178,732	-	-	-		
Debt service	468,329	-	779	-		
Capital projects	1,489,670	-	-	379,878		
Total governmental activities	3,692,762	379,045	104,042	665,821		
Business type activities:						
Sewer	286,173	321,785	-	-		
Ambulance	94,409	126,303	4,181	-		
Total business type activities	380,582	448,088	4,181	-		
Total primary government	\$ 4,073,344	827,133	108,223	665,821		
Component unit:						
La Porte City Utilities	\$ 3,869,297	2,523,647	947	-		
General Receipts and Transfers:						
Property and other city tax levied for:						
General purposes						
Debt service						
Tax increment financing						
Local option sales tax						
Commercial/industrial tax replacement						
Unrestricted interest on investments						
Note proceeds						
Miscellaneous						
Sale of capital assets						
Transfers						
Total general receipts and transfers						
Change in cash basis net position						
Cash basis net position beginning of year						
Cash basis net position end of year						
Cash Basis Net Position						
Restricted:						
Streets						
Urban renewal purposes						
Debt service						
Capital projects						
Other purposes						
Unrestricted						
Total cash basis net position						

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government		Component Unit	
Governmental Activities	Business Type Activities	Total	La Porte City Utilities
(406,964)	-	(406,964)	
(166,102)	-	(166,102)	
(3,012)	-	(3,012)	
(227,518)	-	(227,518)	
15,816	-	15,816	
(178,732)	-	(178,732)	
(467,550)	-	(467,550)	
<u>(1,109,792)</u>		<u>(1,109,792)</u>	
<u>(2,543,854)</u>		<u>(2,543,854)</u>	
	35,612	35,612	
	36,075	36,075	
	71,687	71,687	
<u>(2,543,854)</u>	<u>71,687</u>	<u>(2,472,167)</u>	
			<u>(1,344,703)</u>
736,440	-	736,440	-
218,389	-	218,389	-
154,135	-	154,135	-
310,908	-	310,908	-
14,781	-	14,781	-
19,246	9,167	28,413	2,413
	-	-	2,146,200
54,395	-	54,395	2,096
116,081	-	116,081	-
81,420	(81,420)	-	-
<u>1,705,795</u>	<u>(72,253)</u>	<u>1,633,542</u>	<u>2,150,709</u>
(838,059)	(566)	(838,625)	806,006
<u>2,838,870</u>	<u>565,501</u>	<u>3,404,371</u>	<u>1,850,927</u>
<u>\$ 2,000,811</u>	<u>564,935</u>	<u>2,565,746</u>	<u>2,656,933</u>
\$ 486,305	-	486,305	-
5,324	-	5,324	-
30,022	-	30,022	378,482
65,903	-	65,903	1,060,288
482,276	-	482,276	9,903
930,981	564,935	1,495,916	1,208,260
<u>\$ 2,000,811</u>	<u>564,935</u>	<u>2,565,746</u>	<u>2,656,933</u>

La Porte City

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

As of and for the year ended June 30, 2017

	General	Road Use Tax	Special Revenue Library and Museum
Receipts:			
Property tax	\$ 582,370	-	-
Tax increment financing	-	-	-
Other city tax	310,908	-	-
Licenses and permits	27,727	-	-
Use of money and property	26,069	-	-
Intergovernmental	84,155	283,668	-
Charges for service	281,756	-	-
Miscellaneous	96,842	-	30,784
Total receipts	<u>1,409,827</u>	<u>283,668</u>	<u>30,784</u>
Disbursements:			
Operating:			
Public safety	413,478	-	-
Public works	344,570	299,829	-
Health and social services	8,313	-	-
Culture and recreation	316,635	-	-
Community and economic development	6,234	-	-
General government	164,224	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,253,454</u>	<u>299,829</u>	<u>-</u>
Excess of receipts over disbursements	<u>156,373</u>	<u>(16,161)</u>	<u>30,784</u>
Other financing sources (uses):			
Sale of capital assets	86,848	-	-
Transfers in	74,096	34,000	-
Transfers out	(198,437)	-	(32,759)
Total other financing sources (uses)	<u>(37,493)</u>	<u>34,000</u>	<u>(32,759)</u>
Change in cash balances	118,880	17,839	(1,975)
Cash balances beginning of year, as restated	<u>812,101</u>	<u>468,466</u>	<u>431,722</u>
Cash balances end of year	<u>\$ 930,981</u>	<u>486,305</u>	<u>429,747</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	486,305	-
Urban renewal purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	429,747
Unassigned	<u>930,981</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 930,981</u>	<u>486,305</u>	<u>429,747</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
218,389	-	154,070	954,829
-	-	154,135	154,135
-	-	-	310,908
-	-	-	27,727
779	-	-	26,848
3,485	379,878	1,317	752,503
-	-	-	281,756
-	-	20,870	148,496
222,653	379,878	330,392	2,657,202
-	-	85,799	499,277
-	-	54,724	699,123
-	-	-	8,313
-	-	25,918	342,553
-	-	531	6,765
-	-	14,508	178,732
468,329	-	-	468,329
-	1,489,670	-	1,489,670
468,329	1,489,670	181,480	3,692,762
(245,676)	(1,109,792)	148,912	(1,035,560)
-	29,233	-	116,081
241,154	247,358	-	596,608
-	(133,335)	(150,657)	(515,188)
241,154	143,256	(150,657)	197,501
(4,522)	(966,536)	(1,745)	(838,059)
34,544	1,032,439	59,598	2,838,870
30,022	65,903	57,853	2,000,811
-	-	-	486,305
-	-	5,324	5,324
30,022	-	-	30,022
-	65,903	-	65,903
-	-	52,529	482,276
-	-	-	930,981
30,022	65,903	57,853	2,000,811

Exhibit C

La Porte City

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

As of and for the year ended June 30, 2017

	Enterprise		
	Sewer	Ambulance	Total
Operating receipts:			
Charges for service	\$ 321,785	120,712	442,497
Miscellaneous	-	5,591	5,591
Total operating receipts	321,785	126,303	448,088
Operating disbursements:			
Business type activities	286,173	94,409	380,582
Excess of operating receipts over operating disbursements	35,612	31,894	67,506
Non-operating receipts (disbursements):			
Intergovernmental	-	4,181	4,181
Interest on investments	6,356	2,811	9,167
Net non-operating receipts (disbursements)	6,356	6,992	13,348
Excess of receipts over disbursements	41,968	38,886	80,854
Transfers out	(81,420)	-	(81,420)
Change in cash balances	(39,452)	38,886	(566)
Cash balances beginning of year	399,541	165,960	565,501
Cash balances end of year	\$ 360,089	204,846	564,935
Cash Basis Fund Balances			
Unrestricted	\$ 360,089	204,846	564,935

See notes to financial statements.

La Porte City

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

La Porte City is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1871 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 sewer utilities and ambulance services for its citizens.

A. Reporting Entity

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

These financial statements present the City of La Porte City (the primary government), and the following component units: The La Porte City Police Association and the La Porte City Firefighters Association. These component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship.

Blended Component Units

The La Porte City Police Association (Police Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes to assist the La Porte City police service. The Police Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Police Association was established to improve the City's law enforcement, promote the knowledge and understanding in all aspects of law enforcement, to promote continuing education and training and to promote public education and awareness of crime prevention. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Police 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.

The La Porte City Firefighters Association (Firefighters Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes to assist the La Porte City fire service. The Firefighters Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Firefighters Association was established to improve firemanship, promote the knowledge and understanding in all aspects of firemanship, to promote continuing education and training and to promote public education and awareness of all phases of fire prevention. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Firefighters 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.

Discretely Presented Component Unit

The La Porte City Utilities was established pursuant to Chapter 388 of the Code of Iowa for the operation of the City's electric and water utilities. The Utility is governed by a three-member board appointed by the Mayor and approved by the City Council. A financial benefit/burden relationship exists between the City and the Utility in that the Utility collects customer fees for sewer and garbage service for the City. The Utility is presented as a discretely presented component unit in these financial statements. Complete financial statements can be obtained from the La Porte City Utilities, 403 Main Street, La Porte City, Iowa 50651

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: Black Hawk County Assessor's Conference Board, City Assessor's Conference Board, Black Hawk County Emergency Management Commission and the Black Hawk 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 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 Library and Museum Fund is used to account for contributions, fundraisers and grants for the City's Library and Agricultural Museum.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through enterprise funds.

The City reports the following major proprietary funds:

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

The Enterprise, Ambulance Fund accounts for the operation and maintenance of the City's ambulance.

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.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 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 General Accounting Standards Board Statement No. 72.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 390,000	61,198	451,198
2019	300,000	57,078	357,078
2020	310,000	53,437	363,437
2021	315,000	49,013	364,013
2022	255,000	44,242	299,242
2023-2027	1,270,000	133,712	1,403,712
2028-2031	265,000	17,742	282,742
Total	\$ 3,105,000	416,422	3,521,422

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund

On March 13, 2012, the City issued \$1,920,000 of general obligation capital loan notes to provide funds for constructing streets and public grounds improvements. The notes bear interest ranging from .85% to 3.10% per annum and mature on June 1, 2027. During fiscal year 2017, the City paid principal of \$95,000 and interest of \$39,810 on the notes. The outstanding principal balance at June 30, 2017 was \$1,570,000.

On May 28, 2013, the City issued \$1,705,000 of general obligation refunding capital loan notes to currently refund the City's outstanding balance of the City's 2005 general obligation bonds and currently refund the City's outstanding balance of the City's 2006 general obligation capital loan notes. The notes bear interest ranging from .35% to 1.30% per annum and mature on June 1, 2021. During fiscal year 2017, the City paid principal of \$245,000 and interest of \$9,058 on the notes. The outstanding principal balance at June 30, 2017 was \$735,000.

On May 24, 2016, the City issued \$850,000 of general obligation capital loan notes to provide funds for constructing street and public ground improvements. The notes bear interest ranging from 1.00% to 2.75% per annum and mature on June 1, 2031. During fiscal year 2017, the City paid principal of \$50,000 and interest of \$15,962 on the notes. The outstanding principal balance at June 30, 2017 was \$800,000.

(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.

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2017, 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%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City’s contributions to IPERS for the year ended June 30, 2017 totaled \$60,646.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$417,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the City’s proportion was 0.006639%, which was a decrease of 0.000361% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$64,301, \$166,996 and \$80,868, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

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	\$ 770,830	417,841	120,036

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 12 active members in the plan and no retirees. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members range from \$657 for single coverage to \$2,084 for family coverage. For the year ended June 30, 2017, the City contributed \$154,645 to the plan and plan members eligible for benefits contributed \$17,279 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 10,200
Sick leave	<u>30,000</u>
Total	<u>\$ 40,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Library and Museum Tax Increment Financing Capital Projects	\$ 23,998 1,800 <u>48,298</u> <u>74,096</u>
Road Use Tax	Special Revenue: Tax Increment Financing	<u>34,000</u>
Debt Service	Special Revenue: Tax Increment Financing Enterprise: Sewer Capital Projects	114,857 <u>41,260</u> <u>85,037</u> <u>241,154</u>
Capital Projects	General Special Revenue: Library and Museum Enterprise: Sewer	198,437 8,761 <u>40,160</u> <u>247,358</u>
Total		\$ 596,608

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

(8) Interfund Loans

During the year ended June 30, 2007, the Enterprise, Sewer Fund loaned \$90,000 to the General Fund, Economic Development Account for the purpose of housing rehabilitation purposes. During the year ended June 30, 2017, no repayments were made, leaving a balance of \$45,000.

During the year ended June 30, 2008, the Special Revenue, Road Use Tax Fund loaned \$46,909 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the Special Revenue, Road Use Tax Fund. During the year ended June 30, 2017, \$33,980 was repaid to the Special Revenue, Road Use Tax Fund, leaving a balance of \$1,148.

During the year ended June 30, 2009, the General Fund and the General Fund, Equipment Replacement Account loaned \$41,000 and \$39,274, respectively, to the Debt Service Fund for debt payments related to the Sweet Addition project. The loans were certified as a tax increment obligations and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2017, no repayments were made, leaving a balance of \$77,647.

Also, during the year ended June 30, 2009, the Special Revenue, Road Use Tax Fund loaned \$5,513 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the Special Revenue, Road Use Tax Fund. During the year ended June 30, 2017, the remaining balance of \$20 was repaid to the Special Revenue, Road Use Tax Fund.

Also, during the year ended June 30, 2009, the General Fund, Economic Development Account loaned \$4,714 to the Special Revenue, Tax Increment Financing Fund for interest payments certified on the Witham Development Agreement. During the year ended June 30, 2017, \$1,800 was repaid to the General Fund, Economic Development Account leaving a balance of \$2,914.

During the year ended June 30, 2010, the General Fund, Economic Development Account loaned \$4,089 to the Special Revenue, Tax Increment Financing Fund for interest payments certified on the Witham Development Agreement. During the year ended June 30, 2017, no repayments were made, leaving a balance of \$4,089.

Also, during the year ended June 30, 2010, the General Fund loaned \$38,418 to the Debt Service Fund for debt payments related to the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2017, no repayments were made, leaving a balance of \$34,576.

During the year ended June 30, 2011, the General Fund loaned \$12,250 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2017, no repayments were made, leaving a balance of \$12,250.

During the year ended June 30, 2012, the General Fund loaned \$51,000 to the Debt Service Fund for debt payments related to the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2017, no repayments were made, leaving a balance of \$51,000.

(9) 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.

(10) Commitments

The City had various construction projects ongoing throughout the year. Unpaid contract commitments as of June 30, 2017 totaled approximately \$360,000. The balance on these contracts will be paid as work on the projects progress.

(11) Restatement

Beginning fund balances for the General Fund, Special Revenue, Equipment Replacement, Capital Projects Fund, Trust and Agency Funds and Other Nonmajor Governmental Funds were restated to properly report beginning balances as required by the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as shown below:

	General Fund	Special Revenue, Equipment Replacement	Special Revenue, Library and Museum	Capital Projects Fund	Trust & Agency	Other Nonmajor Governmental Funds
Balances June 30, 2016, as previously reported	\$ 486,379	325,722	-	914,552	431,722	177,485
Reclassify funds previously reported in the incorrect fund type:						
Equipment Replacement	325,722	(325,722)	-	-	-	-
Library and Museum	-	-	431,722	-	(431,722)	-
Downtown Revitalization Project	-	-	-	115,802	-	(115,802)
Wolf Creek Rehab	-	-	-	2,085	-	(2,085)
Balances July 1, 2016, as restated	\$ 812,101	-	-	1,032,439	-	59,598

(12) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

La Porte City

Other Information

La Porte City

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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 954,829	-	-
Tax increment financing	154,135	-	-
Other city tax	310,908	-	-
Licenses and permits	27,727	-	-
Use of money and property	26,848	9,167	-
Intergovernmental	752,503	4,181	-
Charges for service	281,756	442,497	-
Miscellaneous	148,496	5,591	20,870
Total receipts	2,657,202	461,436	20,870
Disbursements:			
Public safety	499,277	-	19,420
Public works	699,123	-	-
Health and social services	8,313	-	-
Culture and recreation	342,553	-	-
Community and economic development	6,765	-	-
General government	178,732	-	-
Debt service	468,329	-	-
Capital projects	1,489,670	-	-
Business type activities	-	380,582	-
Total disbursements	3,692,762	380,582	19,420
Excess of receipts over disbursements	(1,035,560)	80,854	1,450
Other financing sources, net	197,501	(81,420)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(838,059)	(566)	1,450
Balances beginning of year	2,838,870	565,501	22,818
Balances end of year	\$ 2,000,811	564,935	24,268

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
954,829	951,586	951,586	3,243
154,135	147,857	147,857	6,278
310,908	292,072	292,072	18,836
27,727	30,050	32,350	(4,623)
36,015	22,800	28,400	7,615
756,684	743,966	1,210,381	(453,697)
724,253	693,000	715,500	8,753
133,217	87,580	148,438	(15,221)
<u>3,097,768</u>	<u>2,968,911</u>	<u>3,526,584</u>	<u>(428,816)</u>
479,857	798,123	521,573	41,716
699,123	783,856	780,956	81,833
8,313	10,714	10,714	2,401
342,553	361,700	376,690	34,137
6,765	28,700	28,700	21,935
178,732	169,929	184,779	6,047
468,329	388,305	468,705	376
1,489,670	640,000	1,748,300	258,630
380,582	1,416,081	1,416,081	1,035,499
<u>4,053,924</u>	<u>4,597,408</u>	<u>5,536,498</u>	<u>1,482,574</u>
(956,156)	(1,628,497)	(2,009,914)	1,053,758
<u>116,081</u>	<u>190,000</u>	<u>126,000</u>	<u>(9,919)</u>
(840,075)	(1,438,497)	(1,883,914)	1,043,839
<u>3,381,553</u>	<u>2,939,253</u>	<u>3,384,867</u>	<u>(3,314)</u>
<u>2,541,478</u>	<u>1,500,756</u>	<u>1,500,953</u>	<u>1,040,525</u>

La Porte City

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund 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 \$939,090. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted.

La Porte City

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.006639%	0.006278%	0.005706%
City's proportionate share of the net pension liability	\$ 418	310	226
City's covered-employee payroll	\$ 655	661	625
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.82%	46.90%	36.16%
IPERS' net position as a percentage of the total pension liability	81.82%	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.

La Porte City
Schedule of City Contributions

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

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 61	60	61	58
Contributions in relation to the statutorily required contribution	<u>(61)</u>	<u>(60)</u>	<u>(61)</u>	<u>(58)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 658	655	661	625
Contributions as a percentage of covered-employee payroll	9.27%	9.16%	9.23%	9.28%

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

See accompanying independent auditor's report.

2013	2012	2011	2010	2009
55	36	42	44	49
(55)	(36)	(42)	(44)	(49)
-	-	-	-	-
598	511	568	566	564
9.20%	7.05%	7.39%	7.77%	8.69%

La Porte City

Notes to Other Information – Pension Liability

Year ended June 30, 2017

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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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.

Supplementary Information

La Porte City

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

As of and for the year ended June 30, 2017

		Special		
		Employee Benefits	Tax Increment Financing	Urban Renewal LMI
Receipts:				
Property tax	\$ 154,070		-	-
Tax increment financing	-		154,135	-
Intergovernmental	1,317		-	-
Miscellaneous	-		-	-
Total receipts	155,387		154,135	-
Disbursements:				
Operating:				
Public safety	66,379		-	-
Public works	54,724		-	-
Cultures and recreation	25,918		-	-
Community and economic development	-		531	-
General government	14,508		-	-
Total disbursements	161,529		531	-
Excess (deficiency) of receipts over (under) disbursements	(6,142)		153,604	-
Other financing uses:				
Transfers out	-		(150,657)	-
Change in cash balances	(6,142)		2,947	-
Cash balances beginning of year	34,403		2,333	44
Cash balances end of year	\$ 28,261		5,280	44
Cash Basis Fund Balances				
Restricted for other purposes	\$ 28,261		5,280	44

See accompanying independent auditor's report.

Revenue

LPC Fire Fighters Association	LPC Police Association	Total
-	-	154,070
-	-	154,135
-	-	1,317
19,696	1,174	20,870
<hr/>	<hr/>	<hr/>
19,696	1,174	330,392
<hr/>		
17,977	1,443	85,799
-	-	54,724
-	-	25,918
-	-	531
-	-	14,508
<hr/>	<hr/>	<hr/>
17,977	1,443	181,480
<hr/>		
1,719	(269)	148,912
<hr/>	<hr/>	<hr/>
-	-	(150,657)
<hr/>	<hr/>	<hr/>
1,719	(269)	(1,745)
<hr/>	<hr/>	<hr/>
20,338	2,480	59,598
<hr/>	<hr/>	<hr/>
22,057	2,211	57,853
<hr/>	<hr/>	<hr/>
22,057	2,211	57,853

La Porte City

Schedule of Indebtedness

Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street, sewer and water projects	Mar 13, 2012	0.85-3.10%	\$ 1,920,000
Refunding note	May 28, 2013	0.35-1.30	1,705,000
Street improvement	May 24, 2016	1.00-2.75	850,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,665,000	-	95,000	1,570,000	39,810
980,000	-	245,000	735,000	9,058
850,000	-	50,000	800,000	15,962
\$ 3,495,000	-	390,000	3,105,000	64,830

La Porte City

La Porte City
Note Maturities

June 30, 2017

General Obligation Notes								
Year Ending June 30,	Street, Sewer and Water Projects			Refunding		Street Improvement		
	Interest	Issued Mar 13, 2012	Amount	Interest	Issued May 28, 2013	Amount	Interest	Issued May 24, 2016
2018	1.80%	\$ 90,000		0.80%	\$ 250,000		1.00%	\$ 50,000
2019	1.80	90,000		0.95	160,000		1.00	50,000
2020	2.00	100,000		1.13	160,000		1.00	50,000
2021	2.00	100,000		1.30	165,000		1.00	50,000
2022	2.20	205,000			-		1.00	50,000
2023	2.35	210,000			-		1.00	55,000
2024	2.50	220,000			-		1.00	55,000
2025	2.75	180,000			-		1.00	55,000
2026	3.00	185,000			-		1.00	60,000
2027	3.10	190,000			-		1.00	60,000
2028		-			-		1.00	65,000
2029		-			-		1.00	65,000
2030		-			-		1.00	65,000
2031		-			-		1.00	70,000
Total		<u>\$ 1,570,000</u>			<u>\$ 735,000</u>		<u>\$ 800,000</u>	<u>3,105,000</u>

See accompanying independent auditor's report.

La Porte City

**Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds**

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 954,829	922,017	914,315	905,527
Tax increment financing	154,135	139,168	123,674	149,006
Other city tax	310,908	279,050	280,000	294,079
Licenses and permits	27,727	27,840	41,257	43,439
Use of money and property	26,848	27,998	29,616	38,268
Intergovernmental	752,503	452,541	373,221	426,244
Charges for service	281,756	278,451	270,336	271,210
Miscellaneous	148,496	367,261	194,047	182,226
Total	\$ 2,657,202	2,494,326	2,226,466	2,309,999
Disbursements:				
Operating:				
Public safety	\$ 499,277	509,427	582,894	504,679
Public works	699,123	739,423	524,322	1,192,529
Health and social services	8,313	8,180	5,590	11,059
Culture and recreation	342,553	375,601	365,335	472,540
Community and economic development	6,765	50,717	95,441	40,841
General government	178,732	162,651	168,742	133,875
Debt service	468,329	387,953	384,348	414,555
Capital projects	1,489,670	507,645	124,762	664,951
Total	\$ 3,692,762	2,741,597	2,251,434	3,435,029

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
819,070	781,888	749,449	766,117	823,280	856,316
146,534	168,031	196,336	138,695	74,301	-
277,129	293,716	283,668	287,309	286,569	281,565
28,700	22,815	22,224	20,149	21,486	18,507
40,908	21,747	32,131	43,394	53,474	75,838
322,697	432,159	616,627	1,135,073	497,195	614,873
243,052	250,557	226,300	227,885	224,203	216,143
560,243	196,988	122,449	93,161	54,133	71,867
2,438,333	2,167,901	2,249,184	2,711,783	2,034,641	2,135,109
560,105	652,402	556,456	474,565	449,169	629,194
461,441	492,241	702,985	470,778	459,988	549,433
3,052	5,342	7,879	6,294	4,232	5,194
379,199	385,105	358,316	362,941	338,779	259,707
59,581	16,272	37,865	80,512	97,042	155,150
133,445	144,774	126,911	109,510	115,938	107,489
2,204,916	463,221	444,305	445,845	441,755	441,900
563,011	85,715	89,981	786,597	5,040	376,665
4,364,750	2,245,072	2,324,698	2,737,042	1,911,943	2,524,732

**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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Mary Mosiman, CPA
Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 18, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Porte City'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 La Porte City's internal control. Accordingly, we do not express an opinion on the effectiveness of La Porte City's internal control.

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

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 La Porte City'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 (E) 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 deficiency described in the accompanying Schedule of Findings as item (F) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Porte City'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, 2017 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.

La Porte City's Responses to the Findings

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

April 18, 2018

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

- (1) Accounting system – performing all accounting functions, including making journal entries and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash and reconciling.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Debt – recordkeeping, compliance and debt payment processing.
- (7) Compensated absences – maintaining records and balances.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

Response – The City will continue to review operating procedures with a goal of improving internal controls and oversight.

Conclusion – Response accepted.

(B) Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries by all employees. Supporting documentation for all journal entries supports the accuracy of the entries by the employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – There was no evidence of independent review for journal entries tested.

Cause – The City has a limited number of employees and procedures have not been designed to clearly document the review and approval of journal entries.

Effect – Lack of independent approval of transactions could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen controls, journal entries should be supported and the support should be provided to the reviewer for approval by an independent person.

Response – The City will institute an independent review process for oversight of journal entries.

Conclusion – Response accepted.

(C) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

- Aid in training additional or replacement staff.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Condition – The City does not have an accounting policies and procedures manual.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could result in a City's lack of ability to continue operating effectively and efficiently in the even there is accounting staff turnover.

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

Recommendation – An accounting policies and procedures manual should be developed for the City.

Response – The City will work to develop an accounting policies and procedures manual.

Conclusion – Response accepted.

(D) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City's monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are independently reviewed for completeness and accuracy.

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

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

Response – The City will institute an independent review process for oversight of bank reconciliations.

Conclusion – Response accepted.

(E) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – During fiscal year 2017, certain fund balances were restated to be in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54. Note 11 to the financial statements describes the prior period restatement.

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

Cause – The City of La Porte City does not employ accounting staff with the technical expertise to prepare its financial statements in accordance with GASB Statement No. 54.

Effect – Lack of these procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, a material restatement to the City's financial statements was necessary.

Recommendation – The City should implement procedures to ensure all City funds are properly reported in the City's financial statements.

Response – We agree with these reclassifications and will review the fund balance classification in the future for agreement with GASB Statement No. 54 reporting requirements.

Conclusion – Response accepted.

(F) Disaster Recovery Plan

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

- Identification of critical applications.
- Identification of steps for recovery of any operating systems for City operations.
- Identification of computer equipment needed for temporary processing.
- Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
- Requirement to keep a copy of the disaster recovery plan off site.
- Requirement to keep system backups current and off site.
- An inventory of all hardware and components.
- An inventory of all software applications.
- A requirement that copies of all user documentation and policy and procedures manual be located off site.
- A requirement for extra stock of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- Requirement outlining the frequency of testing the disaster recovery plan to identify issues and document the results of testing.

Condition – The City does not have a written disaster recovery plan for its computer system.

Cause – Management has not required a written disaster recovery plan for its computer.

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

Effect – The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should develop a written disaster recovery plan.

Response – The City will work to develop a disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No questionable disbursements of City money 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 – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jane Whittlesey, City Clerk La Porte City Printing	Printing and publishing	\$7,699
Jasmine Gaston, Council Member Henninger Electric	Electrical work	\$582

The transactions with La Porte City Printing may represent a conflict of interest since the transaction exceeded \$2,500 and were not competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Henninger Electric do not appear to represent a conflict of interest since the total transactions during the year were less than \$2,500.

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

Response – It should be noted that of the \$7,699 in transactions with La Porte City Printing & Design, \$4,336 were for legal publications which are allowed under Chapter 362.5(6) as The Progress Review is the official newspaper of the City. The City acknowledges that the remaining \$3,363 exceeded transactions allowed in accordance with Chapter 362.5(3)(d). The City will consult with legal counsel and review purchasing processes.

Conclusion – Response accepted.

- (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 Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of La Porte City

Schedule of Findings

Year ended June 30, 2017

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Tax Increment Financing (TIF) – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

During the year ended June 30, 2017, the City paid \$531 of a costs related to financial advisor fees from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts. The City did not certify these costs to the County Auditor as a TIF obligation. In addition, in accordance with Chapter 403.19(10)(b) of the Code of Iowa, the City may not borrow from the TIF Fund.

Recommendation – In the future, if the City makes disbursements for a qualified TIF obligation, the City should pay these costs from an allowable fund, such as the General Fund, and may approve an advance (interfund loan) from the General Fund to the TIF fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – In the future, the City will pay these costs from an allowable fund.

Conclusion – Response accepted.

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

City of La Porte City

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Michael Holowinski, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State