

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

October 11, 2019

Contact: Marlys Gaston
515/281-5834

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

The City's receipts totaled \$627,583 for the year ended June 30, 2017. The receipts included \$211,576 of property tax, \$53,454 of local option sales tax, \$88,203 of operating grants, contributions and restricted interest, \$258,434 of charges for services, \$2,198 of unrestricted interest on investments and \$13,718 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$483,856, and included \$182,520 for public works, \$89,528 for public safety and \$56,312 for general government. Also, disbursements for business type activities totaled \$125,874.

Sand reported the audit identified \$2,895.50 of undeposited utility collections.

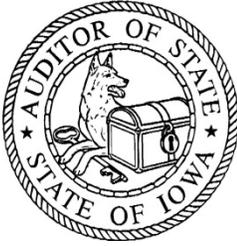
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

#

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

JUNE 30, 2017

City of New Albin



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

August 21, 2019

Officials of the City of New Albin
New Albin, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of New Albin for the year ended June 30, 2017. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of New Albin throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	14
Notes to Financial Statements		15-23
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Other Information – Budgetary Reporting		28
Schedule of the City’s Proportionate Share of the Net Pension Liability		29
Schedule of City Contributions		30-31
Notes to Other Information – Pension Liability		32
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	34-35
Schedule of Indebtedness	2	36-37
Note Maturity	3	39
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 <u>Government Auditing Standards</u>		40-41
Schedule of Findings		42-57
Staff		58

City of New Albin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joshua Dreps	Mayor	Jan 2018
George Blair	Mayor Pro tem	Jan 2018
Debra Crane	Council Member	Jan 2018
Kathy Goetzinger	Council Member	Jan 2020
Alexie Grotegut	Council Member	Jan 2020
Ralph Nelson	Council Member	Jan 2020
Diane Erbe	Treasurer	Jan 2020
Nikki Konkel	City Clerk	(Terminated Oct 2016)
Bobbie Goetzinger (Appointed Oct 2016)	Interim City Clerk	Indefinite
Debra Stantic (Appointed Dec 2016)	City Clerk	Indefinite
Richard Zahasky	Attorney	Indefinite

City of New Albin



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 New Albin, 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 qualified and unmodified audit opinions.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior periods. Accordingly, we were unable to satisfy ourselves as to the distributions by fund of the total fund balance at July 1, 2016.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2016, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New Albin 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, in the cash basis financial position of the discretely presented component unit of the City of New Albin as of June 30, 2017 and the 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

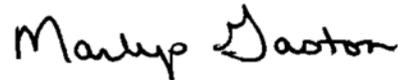
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Albin's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 32 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2019 on our consideration of the City of New Albin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of New Albin's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

August 21, 2019

City of New Albin

Basic Financial Statements

City of New Albin

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 89,528	1,850	18,824
Public works	182,520	43,183	65,489
Culture and recreation	28,041	3,559	3,890
Community and economic development	1,581	-	-
General government	56,312	3,083	-
Total governmental activities	<u>357,982</u>	<u>51,675</u>	<u>88,203</u>
Business type activities:			
Water	36,108	34,575	-
Sewer	69,205	144,607	-
Housing Authority	20,561	27,577	-
Total business type activities	<u>125,874</u>	<u>206,759</u>	<u>-</u>
Total Primary Government	<u>\$ 483,856</u>	<u>258,434</u>	<u>88,203</u>
Componet Unit:			
New Albin Volunteer Fire Department	<u>\$ 13,312</u>	<u>-</u>	<u>30,924</u>
General Receipts:			
Property and other city tax levied for:			
General purposes			
Employee Benefits			
Local option sales tax			
Interest on Investments			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Library			
Parks			
Expendable:			
Streets			
Employee Benefits			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Componet Unit
Governmental Activities	Business Type Activities	Total	New Albin Volunteer Fire Department
(68,854)	-	(68,854)	
(73,848)	-	(73,848)	
(20,592)	-	(20,592)	
(1,581)	-	(1,581)	
(53,229)	-	(53,229)	
(218,104)	-	(218,104)	
-	(1,533)	(1,533)	
-	75,402	75,402	
-	7,016	7,016	
-	80,885	80,885	
(218,104)	80,885	(137,219)	
			17,612
125,976	-	125,976	
85,600	-	85,600	-
53,454	-	53,454	-
2,198	-	2,198	-
13,718	-	13,718	-
280,946	-	280,946	-
62,842	80,885	143,727	17,612
363,303	285,090	648,393	168,223
\$ 426,145	365,975	792,120	185,835
\$ 43,438	-	43,438	-
10,416	-	10,416	-
79,475	-	79,475	-
157,960	-	157,960	-
15,342	-	15,342	185,835
119,514	365,975	485,489	-
\$ 426,145	365,975	792,120	185,835

City of New Albin

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

As of and for the year ended June 30, 2017

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 125,159	-	85,600
Local Option Sales Tax	53,454	-	-
Other city tax	13,718	-	-
Licenses and permits	1,500	-	-
Use of money and property	1,758	-	-
Intergovernmental	20,364	65,489	-
Charges for service	42,883	-	-
Miscellaneous	9,642	-	-
Total receipts	268,478	65,489	85,600
Disbursements:			
Operating:			
Public safety	89,444	-	84
Public works	97,193	49,573	35,754
Culture and recreation	24,608	-	1,733
Community and economic development	1,581	-	-
General government	53,428	-	2,884
Total disbursements	266,254	49,573	40,455
Excess (deficiency) of receipts over (under) disbursements	2,224	15,916	45,145
Cash balances beginning of year	123,867	63,559	112,815
Cash balances end of year	\$ 126,091	79,475	157,960
Cash Basis Fund Balances			
Nonspendable:			
Library	\$ -	-	-
Park	-	-	-
Restricted for:			
Streets	-	79,475	-
Employee benefits	-	-	157,960
Other purposes	5,013	-	-
Assigned:			
Fire truck	50,560	-	-
Library	1,704	-	-
Unassigned	68,814	-	-
Total cash basis fund balances	\$ 126,091	79,475	157,960

See notes to financial statements.

<u>Permanent</u>		
Hyde Library		
<u>Fund</u>	<u>Nonmajor</u>	<u>Total</u>
-	817	211,576
-	-	53,454
-	-	13,718
-	-	1,500
357	83	2,198
-	-	85,853
-	-	42,883
-	-	9,642
<u>357</u>	<u>900</u>	<u>420,824</u>
-	-	89,528
-	-	182,520
1,700	-	28,041
-	-	1,581
-	-	56,312
<u>1,700</u>	<u>-</u>	<u>357,982</u>
(1,343)	900	62,842
<u>44,781</u>	<u>18,281</u>	<u>363,303</u>
<u>43,438</u>	<u>19,181</u>	<u>426,145</u>
43,438	-	43,438
-	10,416	10,416
-	-	79,475
-	-	157,960
-	10,329	15,342
-	-	50,560
-	-	1,704
-	(1,564)	67,250
<u>43,438</u>	<u>19,181</u>	<u>426,145</u>

Exhibit C

City of New Albin

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

As of and for the year ended June 30, 2017

	Enterprise			
	Water	Sewer	Senior Rental	Total
Operating receipts:				
Charges for service	\$ 34,575	144,607	27,577	206,759
Operating disbursements:				
Business type activities	36,108	69,205	11,130	116,443
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,533)	75,402	16,447	90,316
Non-operating disbursements:				
Debt service	-	-	(9,431)	(9,431)
Excess (deficiency) of receipts over (under) disbursements	(1,533)	75,402	7,016	80,885
Cash balances beginning of year	125,967	93,528	65,595	285,090
Cash balances end of year	\$ 124,434	168,930	72,611	365,975
Cash Basis Fund Balances				
Unrestricted	\$ 124,434	168,930	72,611	365,975

See notes to financial statements.

City of New Albin

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of New Albin is a political subdivision of the State of Iowa located in Allamakee County. It was first incorporated in 1895 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities and senior housing for its citizens.

A. Reporting Entity

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

Discretely Presented Component Unit

The New Albin Volunteer Fire Department has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to suppress fire and prevent conflagration of property in and about the City of New Albin and its surrounding area and it has all powers necessary or incidental to such purposes. In accordance with the criteria set forth by the Governmental Standards Board, the New Albin Volunteer Fire Department meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the New Albin Volunteer Fire Department are substantially for the direct benefit of the City of New Albin.

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: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission, and Allamakee 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 non-fiduciary 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 non-fiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. 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 non-major 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 Employee Benefits Fund is used to account for the employee benefits property tax levy for the payment of employee benefits.

Permanent Fund:

The Hyde Library Fund is used to account for the principal and earnings of the Hyde Library Fund.

The City reports the following major proprietary funds:

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

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

The Enterprise, Senior Rental Fund accounts for the operation of the senior apartment building.

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:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

(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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Notes Payable

Annual debt service requirements to maturity for the mortgage note is as follows:

Year Ending June 30,	Senior Housing Mortgage Note	
	Principal	Interest
2018	\$ 6,861	2,571
2019	7,248	2,184
2020	7,652	1,780
2021	8,088	1,343
2022	8,544	887
2023-2024	11,457	428
Total	\$ 49,850	9,193

Senior Housing Mortgage Loan

On January 18, 2000 the City entered into a loan agreement with the New Albin Savings Bank to borrow \$102,929 to complete a six-unit senior housing project in the City of New Albin. The loan bears interest at 5.50% per annum and matures on September 19, 2023. The loan will be repaid from the Senior Housing Fund. During the year ended June 30, 2017, the City paid principal of \$6,494 and interest of \$2,937 on the mortgage note. At June 30, 2017 the outstanding principal balance is \$49,850.

Revenue Loan Anticipation Project Note

On January 3, 2014, the City entered into an interest free interim revenue loan anticipation project note agreement with the Iowa Finance Authority for up to \$50,000 to be used for the purpose of paying the costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. As of June 30, 2016, the total loan amount of \$50,000 had been drawn down. On February 13, 2017 the maturity date for the loan was extended from January 1, 2017 to January 3, 2020. At June 30, 2017, the balance owed on the note is \$50,000.

The notes were issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds.

(4) Pension Plan

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

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

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

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

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%.

The City’s contributions to IPERS for the year ended June 30, 2017 totaled \$8,432.

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 \$75,308 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 0.001197%, which was a decrease of 0.000128% 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 \$9,029, \$12,711 and \$924, 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 122,463	75,308	35,509

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 2 active and no retired members in the plan. 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 are \$397 for single coverage and \$2,314 for family coverage. For the year ended June 30, 2017, the City contributed \$28,716 and plan members eligible for benefits contributed \$0 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensation time 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
Compensation Time	\$ 6,000
Vacation	1,800
Sick leave	1,000
Total	<u>\$ 8,800</u>

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

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Deficit Balance

The Debt Service Fund had a deficit balance of \$1,564 at June 30, 2017. The deficit balance was a result of prior year expenses. The deficit will be eliminated through a transfer from the General Fund.

(9) Subsequent Events

In August 2017, the City entered into a \$50,000 five year note for repair of streets and roads. The interest rate is 2.5%. The City will repay this loan in 10 semi-annual payments with the initial payment coming due November 1, 2017.

In September 2017, the City entered into a \$50,000 two year note for reconstruction of Highway 26. The interest rate is 2.5%. Payments will be made semi-annually with the first payment beginning November 1, 2017.

(10) 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. The City was not impacted by tax abatements entered into by the City or tax abatements entered into by other entities.

(11) 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.

City of New Albin

Other Information

City of New Albin
 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	Total
Receipts:			
Property tax	\$ 211,576	-	211,576
Local Option Sales Tax	53,454	-	53,454
Other city tax	13,718	-	13,718
Licenses and permits	1,500	-	1,500
Use of money and property	2,198	-	2,198
Intergovernmental	85,853	-	85,853
Charges for service	42,883	206,759	249,642
Miscellaneous	9,642	-	9,642
Total receipts	420,824	206,759	627,583
Disbursements:			
Public safety	89,528	-	89,528
Public works	182,520	-	182,520
Culture and recreation	28,041	-	28,041
Community and economic development	1,581	-	1,581
General government	56,312	-	56,312
Business type activities	-	125,874	125,874
Total disbursements	357,982	125,874	483,856
Excess of receipts over disbursements	62,842	80,885	143,727
Balances beginning of year	363,303	285,090	648,393
Balances end of year	\$ 426,145	365,975	792,120

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
198,551	198,551	13,025
54,052	54,052	(598)
1,606	1,606	12,112
1,600	1,600	(100)
550	550	1,648
71,079	71,079	14,774
230,742	230,742	18,900
-	-	9,642
558,180	558,180	69,403
99,393	99,393	9,865
166,666	166,666	(15,854)
26,624	26,624	(1,417)
1,830	1,840	259
25,551	56,551	239
169,366	169,366	43,492
489,430	520,440	36,584
68,750	37,740	105,987
2,553,043	647,108	1,285
2,621,793	684,848	107,272

City of New Albin

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service 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 \$31,010. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

City of New Albin

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.001197%	0.001325%	0.001300%
City's proportionate share of the net pension liability	\$ 75	65	51
City's covered payroll	\$ 87	137	145
City's proportionate share of the net pension liability as a percentage of its covered payroll	86.21%	47.45%	35.17%
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.

City of New Albin

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	\$ 8	8	13	13
Contributions in relation to the statutorily required contribution	(8)	(8)	(13)	(13)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 94	87	137	145
* Contributions as a percentage of covered payroll	8.93%	8.94%	9.27%	9.29%

* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

See accompanying independent auditor's report.

2013	2012	2011	2010	2009
12	11	10	8	11
(12)	(11)	(10)	(8)	(11)
-	-	-	-	-
130	129	120	113	147
9.14%	8.70%	7.96%	7.51%	7.49%

City of New Albin

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.

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

City of New Albin

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

As of and for the year ended June 30, 2017

	Special Revenue		
	Plan Sanitary Disposal	Police Account	Debt Service
Receipts:			
Property tax	\$ 817	-	-
Use of money and property	-	-	-
Total receipts	817	-	-
Disbursements:			
None	-	-	-
Excess of receipts over disbursements	817	-	-
Cash balances beginning of year	2,412	7,100	(1,564)
Cash balances end of year	\$ 3,229	7,100	(1,564)
Cash Basis Fund Balances			
Nonspendable - Park	\$ -	-	-
Restricted for other purposes	3,229	7,100	-
Unassigned	-	-	(1,564)
Total cash basis fund balances	\$ 3,229	7,100	(1,564)

See accompanying independent auditor's report.

Permanent	
Hyde Park Fund	Total
-	817
83	83
83	900
-	-
83	900
10,333	18,281
10,416	19,181
10,416	10,416
-	10,329
-	(1,564)
10,416	19,181

City of New Albin
Schedule of Indebtedness
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Mortgage note:			
Senior housing note	Jan 18, 2000	5.50%	\$ 102,929
Sewer revenue loan:			
Anticipation project note	Jan 3, 2014	0.00%	\$ 50,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
56,344	-	6,494	49,850	2,937	-
50,000	-	-	50,000	-	-

City of New Albin

City of New Albin

Note Maturity

June 30, 2017

Year Ending June 30,	Mortgage Note	
	Senior Housing	
	Issued Jan 18, 2000	
	Interest Rates	Amount
2018	5.50%	\$ 6,861
2019	5.50	7,248
2020	5.50	7,652
2021	5.50	8,088
2022	5.50	8,544
2023	5.50	9,026
2024	5.50	2,431
Total		<u>\$ 49,850</u>

See accompanying independent auditor's report



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 New Albin, 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 August 21, 2019. The 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 report expressed an unmodified opinion on the discretely presented component unit. We expressed qualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Albin'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.

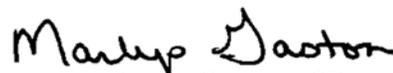
The City of New Albin's Responses to the Findings

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

Purpose of this Report

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

August 21, 2019

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 in the City has control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (3) Long-term debt – maintaining long-term debt records and handling and recording cash and reviewing compensated absence records.
- (4) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (5) Utilities – billing, collecting, depositing, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Disbursements – purchasing, disbursement preparation, recording, check writing, signing and reconciling.
- (7) Payroll – entering rates into the system, preparing, reconciling, recording and distributing.
- (8) Journal entries are not reviewed and approved by an independent person.

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.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. 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.

Response – The City will examine ways to increase segregation of duties and increase internal control.

Conclusion – Response accepted.

(B) Cash Receipts

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records, including issuing prenumbered receipts.

Condition – Prenumbered receipts are not prepared for all collections.

Cause – Policies have not been established and procedures have not been implemented to ensure prenumbered receipts are issued for all collections.

Effect – Lack of prenumbered receipts can result in unrecorded or unaccounted for transactions and the opportunity for errors or unrecorded transactions.

Recommendation – The City should establish policies and procedures to require prenumbered receipts be issued for all collections to provide controls over the proper collection and recording of all money. The numerical sequence of the prenumbered receipts should be accounted for and the receipts should be reconciled to bank deposits by an independent person.

Response – Policies have been developed and procedures implemented to ensure receipts are properly safeguarded upon receipt. Prenumbered receipts for all cash will be issued and checks collected are endorsed upon receipt and deposited daily. These deposits are matched with the Treasurers receipts to deposits from the New Albin Savings Bank. The City Clerk and the City Treasurer reconcile the bank statements each month, and the City Council reviews both the City Clerk report and the Treasurer's report monthly, and the acceptance is recorded at the monthly City Council meetings.

Conclusion – Response acknowledged. To properly account for all receipts, prenumbered receipts should be issued for all collections.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts and Utility Write-off Policy

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and reconciling utility receipts to bank deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances. A policy should be in place to ensure the write-offs of uncollectible late fees, interest and other utility account charges are properly approved.

Condition – Utility billings, collections and delinquent accounts were not reconciled for each billing cycle and utility receipts were not reconciled to bank deposits. The City does not have a policy in place requiring write-offs of late fees, interest and other uncollectible utility account charges to be properly approved.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts, to reconcile utility receipts to deposits or to ensure write-offs of uncollectible accounts are properly approved.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. Someone independent of collecting and recording utility receipts should reconcile utility receipts to deposit each month. A policy should be established requiring all uncollectible account write-offs to be approved by the City Council prior to writing them off.

Response – The City will retain monthly delinquent utility billings and establish a procedure to document the reconciliation of utility billings, collections and delinquent accounts for each billing period. We will also have a member of the City Council review and approve the reconciliations. A policy will be established requiring all write-offs to be approved by the City Council prior to taking place.

Conclusion – Response accepted.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

(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 were not completed for all bank accounts and the total bank balances were not reconciled to the general ledger balance at monthly. In addition, bank reconciliations completed were not reviewed by an independent person. However, the bank accounts reconciled to the Treasurer's report and the City's general ledger at June 30, 2017.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are performed for all bank accounts and to ensure total bank balances are reconciled to the general ledger monthly. Also, procedures are not in place to ensure the review of monthly bank reconciliations is performed by an independent person.

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

Recommendation – Bank reconciliations should be performed for all bank accounts and total bank balances should be reconciled to the general ledger monthly. In addition, an independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – Bank reconciliations will be completed for all bank accounts and reconciled to the general ledger monthly. The reconciliations will be reviewed by the City Council.

Conclusion – Response accepted.

(E) New Albin Volunteer Fire Department Receipts and Disbursements

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records, including issuing prenumbered receipts and issuing checks in numerical sequence.

Condition – The New Albin Volunteer Fire Department does not issue prenumbered receipts for all collections and does not issue checks in numerical sequence or account for all checks issued. In addition, bank reconciliations are not performed on a regular basis for the accounts.

Cause – Procedures have not been designed and implemented to ensure prenumbered receipts are issued for all collections, checks are issued in numbered sequence, all checks are accounted for and bank reconciliations are performed.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

Effect – Lack of prenumbered receipts, issuing checks out of sequential order and lack of bank reconciliations can result in unrecorded or unaccounted for transactions and the opportunity for errors or unauthorized transactions.

Recommendation – The New Albin Volunteer Fire Department should establish procedures to ensure prenumbered receipts are issued for all collections and checks are issued in numerical sequence. In addition, bank reconciliations should be performed on a regular basis, and reviewed by an independent person.

Response – The New Albin Volunteer Fire Department will establish procedures to ensure prenumbered receipts are issued for all collections and bank reconciliations are performed. We will also attempt to issue all checks in sequential order.

Conclusion – Response accepted.

(F) Debit Card

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has a debit card available for use by City Library employees. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The City Council should prohibit the use of debit cards for City purchases.

Response – The City Council will prohibit the use of debit cards for City purchases.

Conclusion – Response accepted.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

(G) Disbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management, and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Supporting documentation for three of the forty-three transactions tested was not maintained.

Cause – Procedures have not been designed and implemented to ensure supporting documentation is maintained.

Effect – Lack of supporting documentation for disbursements could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

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

Response – All disbursements will be supported by invoices or other supporting documentation. The City will establish written policies.

Conclusion – Response accepted.

(H) Time Sheets

Criteria – Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours worked and taken as leave. An effective internal control system provides for internal controls related to the preparation and approval of timesheets for all City employees. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – Timesheets prepared by hourly employees are not reviewed and approved by supervisory personnel.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel.

Effect – The lack of a documented supervisory review process increases the probability staff errors in recording hours or leave will go undetected. When an employee retires or otherwise leaves employment and claims a payout, the City needs support to provide assurance the claim is proper. Without maintaining detailed records, the City may not have the ability to support the claim.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Supervisory approval should be documented by the signature or initials of the supervisor and the date of review and approval.

Response – All timesheets will be reviewed and approved by supervisory personnel.

Conclusion – Response Accepted.

(I) Monthly City Clerk’s Report

Criteria – A deficiency in internal control over financial reporting exists when the operation of a control does not allow management to effectively perform their fiduciary responsibilities related to city financial management.

Condition – The monthly City Clerk’s report presented to the City Council does not include receipts, disbursements, transfers and balances for each fund. In addition, a comparison of total disbursements to the certified budget by function is not prepared.

Cause – Policies have not been established and procedures have not been implemented which require the City Clerk to provide the City Council with the required financial information.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget before disbursements exceed the budget. In addition, City Council may not have financial information for each fund on which to make financial decisions for the City and may not be aware of deficit fund balances.

Recommendation – To provide better financial information, the monthly reports provided to the City Council should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund and comparisons of total disbursements by function to the certified budget.

Response – A City Clerk/Treasurer’s Report which includes the recommended information was started during fiscal year 2017.

Conclusion – Response accepted.

(J) 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 in integral part of ensuring the reliability and accuracy of the City’s financial statements.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

Condition – The City recorded \$1,493 of property tax receipts in the Special Revenue, Employee Benefits fund which should have been recorded in the General Fund. This was corrected for reporting purposes.

Cause – City policies do not require, and procedures have not been established to require independent review of transactions to ensure the City’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The City should establish policies to require independent review of transactions to ensure the City’s financial statements are accurate and reliable.

Response – The City will establish policies to require an independent review of transactions to the City’s financial statements. We will also ensure all City receipts are properly reported.

Conclusion – Response accepted.

(K) Transfers

Criteria – An effective internal control system provides for internal controls related to supporting documentation being maintained for all transfers to document the propriety of the transfer.

Condition – For 11 of 15 transfer transactions tested, there was no supporting documentation available to document the propriety.

Cause – Policies have not established, and procedures have not been implemented to require supporting documentation for all transfers to document propriety.

Effect – Inadequate supporting documentation of transfers could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis.

Recommendation – The City should establish policies and procedures to maintain adequate supporting documentation for all transfers.

Response – The City will establish policies and procedures to maintain adequate supporting documentation for all transfers.

Conclusion – Response accepted.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

(L) Disaster Recovery Plan

Criteria – Management is responsible for establishing, maintaining and testing a disaster recovery plan. A disaster recovery plan should include, identification of critical applications, identification of staff responsible, identification of steps for recovery of the system, identification of computer equipment needed for temporary processing, and identification of business location(s) which could be used to process critical application in the event of an emergency. Additionally, a copy of the disaster recovery plan should be kept off site, system backups should be kept current and off site, inventory of all hardware and components should be noted, inventory of all software applications, copies of all user documentation and policy and procedures manuals to be located off site, and require extra stocks of paper supplies, such as checks, warrants, purchase orders, etc. be located off site. Further, the plan should be tested regularly, and all employees should be trained for appropriate responses to emergency situations.

Condition – The City has not adopted a disaster recovery plan.

Cause – Management has not required a written disaster recovery plan to be established.

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

Recommendation – A written disaster recovery plan should be developed which includes all the identified elements. The plan should be provided to all appropriate personnel and should be periodically tested.

Response – The City will work toward establishing appropriate policies for computer-based system and a written disaster recovery plan.

Conclusion – Response accepted.

(M) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- No minimum password length and no password history to prevent reuse.
- System does not lock out a user after repeated failed log in attempts.
- Physical access to computers.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

- Non-licensed software on city computers.
- Internet usage by employees.
- Use of anti-virus program.

Cause – Management has not required written policies for the above computer-based controls.

Effect – Lack of written policies for the computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer system.

Response – The City will work toward developing written policies addressing IT security.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of New Albin

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 exceeded the amounts budgeted in the public works and culture and recreation functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend the budget before exceeding budgeted amounts in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Except as noted in item (12) below, no disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted

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

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

Name, Title and Business Connection	Transaction Description	Amount
Joshua Dreps, Mayor, Owner of City Meat Market	Supplies for the City Hall and Library	\$ 422

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

- (5) Bond Coverage – Surety bond coverage for City officials and employees is not maintained as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should maintain surety bond coverage as required by Chapter 64 of the Code of Iowa.

Response – The City is investigating reinstating bond coverage for the City Clerk.

Conclusion – Response accepted.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

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

Transfers between funds were not approved by the City Council.

Although minutes of City Council proceedings were prepared and approved, they were not signed as required by the Code of Iowa.

Published minutes did not include a summary of receipts, a listing of disbursements by fund or a summary of ordinances or amendments adopted.

Recommendation – The City should establish procedures to ensure the minutes are signed as required and published minutes include all elements required by Iowa Code. All transfers between funds should be approved by the City Council prior to making the transfer.

Response – The City will be sure to have minutes signed and published in a timely manner. In addition, published minutes will include all required information and the City Council will approve all transfers between funds.

Conclusion – Response accepted.

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

The City has not adopted a depository resolution establishing maximum deposit amounts for each bank.

Recommendation – A depository resolution should be approved establishing maximum deposit amounts for each bank.

Response – The City will work on establishing a depository resolution.

Conclusion – Response accepted.

- (8) Financial Condition – The Debt Service Fund had a deficit balance of \$1,564 at June 30, 2017.

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

Response – The City will take steps to eliminate this deficit in the future.

Conclusion – Response accepted.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

- (9) Undeposited Collections - The City Clerk has primary responsibility for preparing monthly utility billings, collecting payments, recording payments in the utility accounting system for each customer, and preparing and making deposits. Utility billings are primarily paid in cash, by check or money order. During the audit, the current City Clerk expressed concerns regarding cash collections occurring prior to the tenure of the interim City Clerk (i.e., prior to October 2016).

For the period December 1, 2014 through October 30, 2016 (the prior City Clerk's tenure of employment) we compared utility collections reported on the City's utility accounting system to actual deposits in the City's bank account. The table below summarizes the cash collections for which we could not locate a corresponding deposit for the period reviewed:

Deposit Date	Total Collections		Total Deposits		Cash Not Deposited
	Cash	Checks	Cash	Checks	
11/05/15	\$ 180.00	15,241.51	40.00	15,241.51	140.00
04/13/16	60.00	6,063.01	30.00	6,063.01	30.00
04/21/16	480.00	8,027.96	410.00	8,027.96	70.00
05/02/16	143.00	4,135.56	-	4,135.56	143.00
05/12/16	200.00	1,366.62	-	1,366.62	200.00
05/26/16	742.75	9,073.77	112.75	9,073.77	630.00
06/08/16	200.00	3,535.38	100.00	3,535.38	100.00
07/01/16	120.00	4,748.70	-	4,748.70	120.00
07/28/16	271.00	6,456.00	-	6,456.00	271.00
08/11/16	500.00	172.74	-	172.74	500.00
08/19/16	138.00	5,491.96	-	5,491.96	138.00
09/01/16	393.50	5,888.52	-	5,888.52	393.50
09/21/16	160.00	5,249.84	-	5,249.84	160.00
Total	\$ 3,588.25	75,451.57	692.75	75,451.57	2,895.50

City utility receipts of \$2,895.50 were not properly deposited into the City's accounts and remain unaccounted for.

Recommendation – Procedures should be established to ensure all utility collections are deposited. Someone independent of collecting and recording utility receipts should reconcile utility receipts, both cash and checks, to the bank deposit each month. See also item (10) below. The City should consult legal counsel to determine the disposition of the \$2,895.50 of undeposited utility collections. This report has been filed with the Allamakee County Attorney.

Response – We will consult legal counsel regarding the undeposited utility receipts.

Conclusion – Response accepted.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

- (10) Cash Receipts – While comparing utility collections to deposits in the City’s bank accounts, we identified one instance where four checks totaling \$70 for pet licenses were substituted for \$70 of cash received for utilities. However, because the City does not prepare prenumbered receipts or a listing of checks and cash received, records are not available to determine if all receipts were properly deposited.

The City’s receipts include, but are not limited to, rent for senior housing, proceeds from laundry facilities and fees for pet licenses.

Recommendation – The City should develop policies and procedures to ensure receipts are properly safeguarded immediately upon receipt. See also (B) above. The City should consult legal counsel regarding the disposition of this matter. This report has been filed with the Allamakee County Attorney.

Response – Policies have been developed and procedures implemented to ensure receipts are properly safeguarded upon receipt. See also (B) and (9) above.

Conclusion – Response accepted.

- (11) Excess Fund Balance – The City levies for employee benefits which are reported in the Special Revenue, Employee Benefits fund. These funds may only be used for employee benefits, including workers compensation costs or other insurance premiums. The Special Revenue, Employee Benefits fund balance at June 30, 2017 totaled \$157,960, or approximately 390% of total disbursements for fiscal year 2017.

The City has been incorrectly paying the General Fund portion of workers compensation insurance from the General Fund rather than from the Special Revenue, Employee Benefits Fund, the Fund collecting the property tax revenues which are levied to pay these costs.

Recommendation – The City should determine the amount of workers compensation disbursements and other eligible employee benefits which were paid from the General Fund and reimburse the General Fund from the Special Revenue, Employee Benefits fund for those costs.

Response – The City will investigate and determine which expenses could have been paid from the Special Revenue, Employee Benefits fund and make any necessary corrections.

Conclusion – Response accepted.

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

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

City of New Albin

Schedule of Findings

Year ended June 30, 2017

Response – The City will request the bank to provide images of both the front and back of cancelled checks in the future.

Conclusion – Response accepted.

- (13) Late Fees – During the fiscal year, the City remitted certain payments to IPERS late, resulting in \$41 of late fees and interest.

Recommendation – The City should ensure all IPERS payments are remitted timely and avoid late fees and interest.

Response – The City will do its best to avoid late fees and interest in the future.

Conclusion – Response accepted.

- (14) Volunteer Fire Department, Inc. Donation – In June 2017, the City allowed a \$6,000 grant awarded to the City to purchase fire safety equipment to be deposited in the New Albin Volunteer Fire Department accounts, a private non-profit corporation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, "... no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the general assembly."

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property."

We previously requested a letter of advice from the Iowa Attorney General regarding the propriety of a gift to a private non-profit organization. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. The advice letter states, in part:

"... I do not believe that a City library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

City of New Albin

Schedule of Findings

Year ended June 30, 2017

Recommendation – A 28E agreement, as described in the advice letter does not exist. We are not aware of any statutory authority for the City to relinquish its fiduciary responsibility over its public funds to a separate non-profit organization. The City should recover the remaining funds provided to the non-profit corporation, including all income derived from the investment of the funds from the time they were remitted to the New Albin Volunteer Fire Department, Inc. In addition, the City should require an immediate accounting for these public funds from the date of the donation.

Response – The City has researched and performed an immediate accounting of the public funds of \$6,000 grant monies. The New Albin Volunteer Fire Department, Inc. purchased bunker gear from Heiman, Inc. and that check was \$13,000. The \$6,000 grant monies were part of the \$13,000 payment. There was no income derived from the investment of the funds from the time of remittance to the New Albin Volunteer Fire Department, Inc. In the future, the City will not relinquish its fiduciary responsibility over its public funds to a separate non-profit organization.

Conclusion – Response accepted.

City of New Albin

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy Auditor of State

Michelle B. Meyer, CPA, Manager

Kelly L. Hilton, Senior Auditor

Edward J. Schroeder, Assistant Auditor