



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

State Capitol Building  
Des Moines, Iowa 50319-0006

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

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

May 27, 2021

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$3,112,446 for the year ended June 30, 2020, a less than 1% decrease from the prior year. Disbursements for the year ended June 30, 2020 totaled \$2,886,831, a 3.2% decrease from the prior year. The decrease in disbursements is due primarily to a decrease in public safety disbursements.

**AUDIT FINDINGS:**

Sand reported two findings related to the receipt and disbursement of taxpayer funds. They are found on pages 58 through 61 of this report. The findings address a lack of segregation of duties and noncompliance with Chapter 384.5 of the Code of Iowa. Sand provided the City with a recommendation to address the finding.

One of the findings discussed above is repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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

**JUNE 30, 2020**

**City of La Porte City**



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March 17, 2021

Officials of the City of La Porte City  
La Porte City, Iowa

Dear City Council Members:

I am pleased to submit to you the financial and compliance audit report for the City of La Porte City, Iowa, for the year ended June 30, 2020. 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 La Porte City throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

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**City of La Porte City**

**Officials**

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Neil	Mayor	Jan 2022
Brent Sadler	Mayor Pro tem	Jan 2022
Jasmine Gaston	Council Member	Jan 2020
Kristi Harrill	Council Member	Jan 2020
Mike Johnson	Council Member	(Resigned Jan 2019)
Brett Hakeman (Appointed Feb 2019)	Council Member	Nov 2019
Tim Smith	Council Member	Jan 2022
Jane Whittlesey	City Clerk/Treasurer	Indefinite
Laura Folkerts	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Neil	Mayor	Jan 2022
Brent Sadler	Mayor Pro tem	Jan 2022
Tim Smith	Council Member	Jan 2022
Jasmine Gaston	Council Member	Jan 2024
Kristi Harrill	Council Member	Jan 2024
Brett Hakeman	Council Member	Jan 2024
Jane Whittlesey	City Clerk/Treasurer	Indefinite
Laura Folkerts	Attorney	Indefinite

**City of La Porte City**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, 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, 2020, 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, 2020, 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*

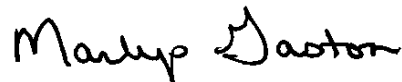
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six 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 8 through 13 and 38 through 46, 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 March 17, 2021 on our consideration of the City 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 the City of La Porte City's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

March 17, 2021

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of 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, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2020 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 1.7%, or approximately \$44,000, from fiscal year 2019 to fiscal year 2020.
- Disbursements of the City's governmental activities decreased 3.8%, or approximately \$97,500, in fiscal year 2020 from fiscal year 2019. Public safety disbursements decreased approximately \$258,000, due in part to the purchase of a fire truck in the prior year. Debt service and capital projects disbursements increased approximately \$19,000 and \$150,400. Capital projects increased primarily due to work on the Main Street Rehabilitation project.
- The City's total cash basis net position increased 8.3%, or approximately \$225,600, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased \$172,817 and the cash basis net position of the business type activities increased \$52,798.

### **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 statement provides a detailed 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.

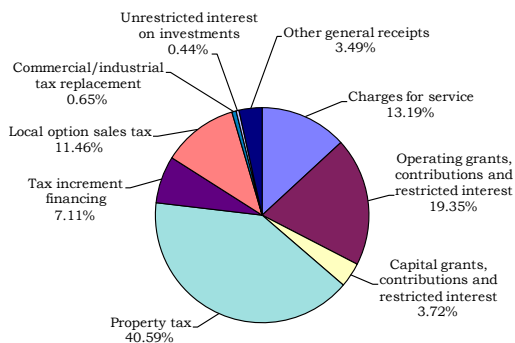
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

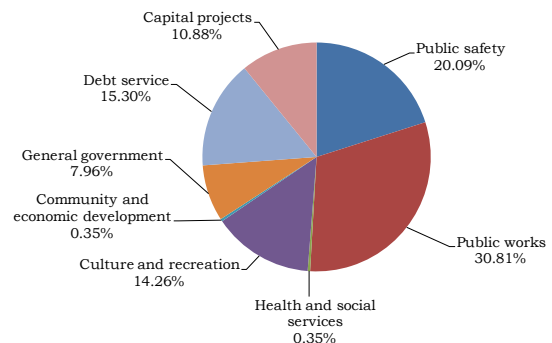
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$2.056 million to approximately \$2.228 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 342,919	460,180
Operating grants, contributions and restricted interest	503,262	96,816
Capital grants, contributions and restricted interest	96,834	410,189
General receipts:		
Property tax	1,055,574	963,974
Tax increment financing	184,950	185,052
Local option sales tax	298,045	301,368
Commercial/industrial tax replacement	16,947	16,151
Unrestricted interest on investments	11,505	22,735
Other general receipts	90,695	188,627
<b>Total receipts</b>	<b>2,600,731</b>	<b>2,645,092</b>
<b>Disbursements:</b>		
Public safety	496,690	754,846
Public works	761,938	756,079
Health and social services	8,716	8,685
Culture and recreation	352,573	357,484
Community and economic development	8,560	235
General government	196,743	214,821
Debt service	378,288	359,243
Capital projects	268,951	118,552
<b>Total disbursements</b>	<b>2,472,459</b>	<b>2,569,945</b>
Change in cash basis net position before transfers	128,272	75,147
Transfers, net	44,545	40,175
Change in cash basis net position	172,817	115,322
Cash basis net position beginning of year	2,055,682	1,940,360
Cash basis net position end of year	<b>\$ 2,228,499</b>	<b>2,055,682</b>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 1.7%, or approximately \$44,000, from the prior year. The total cost of all programs and services decreased approximately \$97,500, or 3.8%, with public safety and general government disbursements decreasing approximately \$258,000 and \$18,000, respectively. The decrease in disbursements is primarily due to the purchase of a fire truck in the prior year and decreased costs in City Hall due to COVID-19 restrictions.

The cost of all governmental activities this year was approximately \$2.472 million compared to approximately \$2.570 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 \$1.529 million because some of the cost was paid by those directly benefited from the programs (approximately \$343,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$600,000). 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, decreased in fiscal year 2020 from approximately \$967,000 to approximately \$943,000, primarily due to decreases in charges for services.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 384,367	340,483
Ambulance	103,589	103,961
Operating grants, contributions and restricted interest	5,843	4,051
General receipts:		
Unrestricted interest on investments	17,916	33,485
Total receipts	<u>511,715</u>	<u>481,980</u>
Disbursements:		
Sewer	313,149	306,304
Ambulance	101,223	106,186
Total disbursements	<u>414,372</u>	<u>412,490</u>
Change in cash basis net position before transfers	97,343	69,490
Transfers, net	<u>(44,545)</u>	<u>(40,175)</u>
Change in cash basis net position	52,798	29,315
Cash basis net position beginning of year	<u>673,902</u>	<u>644,587</u>
Cash basis net position end of year	<u>\$ 726,700</u>	<u>673,902</u>

Total business type activities receipts for the fiscal year were approximately \$512,000 compared to approximately \$482,000 last year. The increase in charges for services is due primarily to an increase in sewer rates. Total disbursements for the fiscal year increased \$1,882, or less than 1%, compared to the prior year. The cash balance increased approximately \$53,000, or 7.8%, over the prior year balance.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of La Porte City completed the year, its governmental funds reported a combined fund balance of \$2,228,499 an increase of approximately \$173,000 over last year's total of \$2,055,682. 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 \$265,965 over the prior year to \$1,213,388. Receipts decreased approximately \$190,000, or 11.5%, due primarily to the City receiving a grant of \$115,000 in the prior year for the purchase of a fire truck. Disbursements decreased approximately \$306,000, or 19.0%, due primarily to the purchase of a fire truck and replacement of the City Hall roof in the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$247,009 to \$227,537, due primarily to a loan of \$250,000 to the Capital Projects Fund for the Main Street Rehabilitation project.
- 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 \$487,242, remaining relatively constant when compared to the prior year.
- The Debt Service Fund cash balance increased \$57,652 to \$94,630, mainly due to increased property taxes due to an increase in the debt service levy.
- The Capital Projects Fund cash balance increased \$83,844 to \$137,402. This increase was due primarily to a loan from the Special Revenue, Road Use Tax Fund and other City cash reserves for the Main Street Rehabilitation and the Wolf Creek Park and Trails projects. Disbursements increased approximately \$163,000 due to construction costs associated with these projects.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Sewer Fund cash balance increased \$38,845 to \$486,881, due primarily to an increase in sewer rates in anticipation of future upgrades.
- The Enterprise, Ambulance Fund cash balance increased \$13,953 to \$239,819. Receipts and disbursements remained relatively constant when compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 26, 2020 and resulted in an increase in government activities disbursements primarily related to the Main Street Rehabilitation project.

The City's receipts were \$167,245 less than the amended budgeted. This was primarily due to lower miscellaneous receipts than expected. The City's disbursements were \$3,052,199 less than the amended budget. This was primarily due to construction projects not progressing as planned.

## **DEBT ADMINISTRATION**

At June 30, 2020, the City had \$2,105,000 of general obligation notes outstanding, compared to \$2,415,000 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 approximately \$2.1 million is significantly below its constitutional debt limit of approximately \$6.0 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**

The City of La Porte City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

One year into the COVID-19 global pandemic, the City of La Porte City and the surrounding Cedar Valley have not yet seen the kind of economic hardships evident in other areas of the United States. However, a good bit of uncertainty remains in budgeting and forecasting for the future. Because of this, City officials have opted to maintain operations and services at the same level as prior years while monitoring economic indicators.

The City will complete many major capital projects in FY21, including the Main Street Rehabilitation project and the 14 lot Sweet Subdivision. In addition, after many delays, the City expects the wastewater treatment plant improvement project to be completed in late FY21. The City will utilize a loan from the State Revolving Fund to fund the project. Based on estimated costs of the project, sewer user fees will need to be increased over the next five years to cover the revenue bond payments.

## **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.



**City of La Porte City**

## **Basic Financial Statements**

La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 496,690	35,466	85,673	-
Public works	761,938	252,038	302,850	-
Health and social services	8,716	9,058	-	-
Culture and recreation	352,573	41,373	113,200	-
Community and economic development	8,560	-	1,539	-
General government	196,743	4,984	-	-
Debt service	378,288	-	-	-
Capital projects	268,951	-	-	96,834
Total governmental activities	2,472,459	342,919	503,262	96,834
Business type activities:				
Sewer	313,149	384,367	-	-
Ambulance	101,223	103,589	5,843	-
Total business type activities	414,372	487,956	5,843	-
<b>Total primary government</b>	<b>\$ 2,886,831</b>	<b>830,875</b>	<b>509,105</b>	<b>96,834</b>
<b>Component unit:</b>				
La Porte City Utilities	\$ 4,003,600	2,701,979	-	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Cable franchise fees				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	La Porte City Utilities
(375,551)	-	(375,551)	
(207,050)	-	(207,050)	
342	-	342	
(198,000)	-	(198,000)	
(7,021)	-	(7,021)	
(191,759)	-	(191,759)	
(378,288)	-	(378,288)	
(172,117)	-	(172,117)	
<u>(1,529,444)</u>	<u>-</u>	<u>(1,529,444)</u>	
-	71,218	71,218	
-	8,209	8,209	
-	79,427	79,427	
<u>(1,529,444)</u>	<u>79,427</u>	<u>(1,450,017)</u>	
			<u>(1,301,621)</u>
780,876	-	780,876	-
274,698	-	274,698	-
184,950	-	184,950	-
298,045	-	298,045	-
12,176	-	12,176	-
16,947	-	16,947	-
11,505	17,916	29,421	18,085
59,758	-	59,758	-
18,761	-	18,761	-
44,545	(44,545)	-	-
<u>1,702,261</u>	<u>(26,629)</u>	<u>1,675,632</u>	<u>18,085</u>
172,817	52,798	225,615	(1,283,536)
<u>2,055,682</u>	<u>673,902</u>	<u>2,729,584</u>	<u>3,450,601</u>
<u>\$ 2,228,499</u>	<u>726,700</u>	<u>2,955,199</u>	<u>2,167,065</u>
\$ 227,537	-	227,537	-
33,921	-	33,921	646,552
207,402	-	207,402	407,318
546,251	-	546,251	10,332
<u>1,213,388</u>	<u>726,700</u>	<u>1,940,088</u>	<u>1,102,863</u>
<u>\$ 2,228,499</u>	<u>726,700</u>	<u>2,955,199</u>	<u>2,167,065</u>

City of La Porte City

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

As of and for the year ended June 30, 2020

	Special Revenue		
	General	Road Use Tax	Library and Museum
Receipts:			
Property tax	\$ 558,899	-	-
Tax increment financing	-	-	-
Local option sales tax	298,045	-	-
Other city tax	818	-	-
Licenses and permits	23,945	-	-
Use of money and property	18,438	-	13,006
Intergovernmental	126,792	293,710	-
Charges for service	278,208	-	-
Miscellaneous	148,237	-	17,096
Total receipts	1,453,382	293,710	30,102
Disbursements:			
Operating:			
Public safety	399,901	-	554
Public works	390,439	290,719	-
Health and social services	8,716	-	-
Culture and recreation	316,114	-	-
Community and economic development	8,560	-	-
General government	179,338	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,303,068	290,719	554
Excess (deficiency) of receipts over (under) disbursements	150,314	2,991	29,548
Other financing sources (uses):			
Sale of capital assets	12,800	-	-
Transfers in	102,851	-	-
Transfers out	-	(250,000)	(33,260)
Total other financing sources (uses)	115,651	(250,000)	(33,260)
Change in cash balances	265,965	(247,009)	(3,712)
Cash balances beginning of year	947,423	474,546	490,954
Cash balances end of year	\$ 1,213,388	227,537	487,242
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	227,537	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	487,242
Unassigned	1,213,388	-	-
Total cash basis fund balances	\$ 1,213,388	227,537	487,242

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
274,328	-	220,833	1,054,060
-	-	184,950	184,950
-	-	-	298,045
370	-	326	1,514
-	-	-	23,945
106	-	-	31,550
4,144	96,834	3,654	525,134
-	-	-	278,208
-	-	19,231	184,564
<b>278,948</b>	<b>96,834</b>	<b>428,994</b>	<b>2,581,970</b>
-	-	96,235	496,690
-	-	80,780	761,938
-	-	-	8,716
-	-	36,459	352,573
-	-	-	8,560
-	-	17,405	196,743
378,288	-	-	378,288
-	268,951	-	268,951
<b>378,288</b>	<b>268,951</b>	<b>230,879</b>	<b>2,472,459</b>
<b>(99,340)</b>	<b>(172,117)</b>	<b>198,115</b>	<b>109,511</b>
-	5,961	-	18,761
156,992	250,000	-	509,843
-	-	(182,038)	(465,298)
<b>156,992</b>	<b>255,961</b>	<b>(182,038)</b>	<b>63,306</b>
57,652	83,844	16,077	172,817
36,978	53,558	52,223	2,055,682
<b>94,630</b>	<b>137,402</b>	<b>68,300</b>	<b>2,228,499</b>
-	-	-	227,537
94,630	-	9,291	103,921
-	137,402	-	137,402
-	-	59,009	546,251
-	-	-	1,213,388
<b>94,630</b>	<b>137,402</b>	<b>68,300</b>	<b>2,228,499</b>

**City of La Porte City**

City of La Porte City

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

As of and for the year ended June 30, 2020

	Enterprise		
	Sewer	Ambulance	Total
Operating receipts:			
Charges for service	\$ 384,367	98,967	483,334
Miscellaneous	-	4,622	4,622
Total operating receipts	384,367	103,589	487,956
Operating disbursements:			
Business type activities	313,149	101,223	414,372
Excess of operating receipts over operating disbursements	71,218	2,366	73,584
Non-operating receipts:			
Intergovernmental	-	5,843	5,843
Interest on investments	12,172	5,744	17,916
Total non-operating receipts	12,172	11,587	23,759
Excess of receipts over disbursements	83,390	13,953	97,343
Other financing sources:			
Transfers out	(44,545)	-	(44,545)
Change in cash balances	38,845	13,953	52,798
Cash balances beginning of year	448,036	225,866	673,902
Cash balances end of year	\$ 486,881	239,819	726,700
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 486,881	239,819	726,700

See notes to financial statements.



City of La Porte City

Notes to Financial Statements

June 30, 2020

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

The City of 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, the City of 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, the La Porte City Firefighters Association and the Friends of the Museum. 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.

The La Porte City Friends of the Museum has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes to assist the La Porte Museum. The Friends of the Museum is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Museum 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 911 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 receipts, 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.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. 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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 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**

A summary of the changes in notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation notes	\$ 2,415,000	-	310,000	2,105,000	315,000

General Obligation Notes

A summary of the City's June 30, 2020 general obligation notes payable is as follows:

Year Ending June 30,	Streets, Street Lighting, Sidewalks Sanitary System, Water Works			Series 2013 Refunding		
	Issued March 13, 2012			Issued May 28, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.00%	\$ 100,000	33,335	1.30%	\$ 165,000	2,145
2022	2.20	205,000	31,335		-	-
2023	2.35	210,000	26,825		-	-
2024	2.50	220,000	21,890		-	-
2025	2.75	180,000	16,390		-	-
2026-2030	3.00-3.10	375,000	17,330		-	-
2031		-	-		-	-
Total		\$ 1,290,000	147,105		\$ 165,000	2,145

Year Ending June 30,	Streets, Sidewalks, Storm Sewers, Water Lines			Total		
	Issued May 24, 2016					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.25%	\$ 50,000	13,533	\$ 315,000	49,013	364,013
2022	1.50	50,000	12,907	255,000	44,242	299,242
2023	1.50	55,000	12,157	265,000	38,982	303,982
2024	1.80	55,000	11,333	275,000	33,223	308,223
2025	1.80	55,000	10,342	235,000	26,732	261,732
2026-2030	2.10-2.75	315,000	33,263	690,000	50,593	740,593
2031	2.75	70,000	1,925	70,000	1,925	71,925
Total		\$ 650,000	95,460	\$ 2,105,000	244,710	2,349,710

During the year ended June 30, 2020, the City paid \$310,000 of principal and \$53,438 of interest on the notes.

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 2020, the City paid principal of \$100,000 and interest of \$35,335 on the notes. The outstanding principal balance at June 30, 2020 was \$1,290,000.

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 2020, the City paid principal of \$160,000 and interest of \$3,945 on the notes. The outstanding principal balance at June 30, 2020 was \$165,000.

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 2020, the City paid principal of \$50,000 and interest of \$14,158 on the notes. The outstanding principal balance at June 30, 2020 was \$650,000.

**(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City’s contributions to IPERS for the year ended June 30, 2020 totaled \$67,538.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$372,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City’s proportion was 0.006435%, which was an increase of 0.000328% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$95,801, \$58,525 and \$79,991, respectively.

There were no non-employer contributing entities to IPERS.



Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 803,672	372,607	11,211

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

**(5) 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. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$163,510 and plan members eligible for benefits contributed \$27,095 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of La Porte City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>13</u>
Total	<u>14</u>

**(6) Operating Leases**

The City entered into two leases for two copiers. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2020 and 2024.

The following is a schedule of future minimum rental payments required under the operating leases which have an initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020:

Year Ending June 30,	Copiers
2021	\$ 2,543
2022	2,543
2023	1,086
2024	300
Total	\$ 6,472

Rental expense for the year ended June 30, 2020 for these operating leases totaled \$3,548.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave time 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 time payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 14,000
Sick leave	54,000
Total	\$ 68,000

This liability has been computed based on rates of pay in effect at June 30, 2020.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Library and Museum	\$ 33,260
	Tax Increment Financing	<u>69,591</u>
		<u>102,851</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	112,447
	Enterprise:	
	Sewer	<u>44,545</u>
		<u>156,992</u>
Capital Projects	Special Revenue:	
	Road Use Tax	<u>250,000</u>
Total		<u>\$ 509,843</u>

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

**(9) 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, 2020, no repayments were made, leaving a balance of \$45,000.

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, 2020, \$6,091 was repaid to the General Fund, paying off the remaining balance.

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, 2020, \$12,250 was repaid to the General Fund, paying off the balance.

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, 2020, \$51,000 was repaid to the General Fund, paying off the balance.

During the year ended June 30, 2019, the General Fund, Equipment Replacement Account loaned \$100,000 and \$10,000 to the Capital Projects Fund for the Main Street Rehabilitation project and the Wolf Creek Park and Trails projects, respectively. During the year ended June 30, 2020 no payments were made, leaving balances of \$100,000 and \$10,000.

Also, during the year ended June 30, 2019, the Special Revenue, Road Use Tax Fund loaned \$25,000 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, 2020, \$250 was repaid leaving a balance of \$24,750.

During the year ended June 30, 2020, the Special Revenue, Road Use Tax Fund loaned \$250,000 to the Capital Projects Fund for the Main Street Rehabilitation project. During the year ended June 30, 2020, no repayments were made, leaving a balance of \$250,000

**(10) 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.

**(11) City of La Porte City Revolving Loan Account**

The General Fund, Revolving Loan Account was established during the year ended June 30, 2008. The purpose of the account is to promote economic development in the City of La Porte City by providing low-interest financing to new and existing businesses. During the year ended June 30, 2008, the City received a \$45,000 grant to be used for economic development loans. This grant, along with \$46,000 contributed from City reserves, a total of \$91,000, was subsequently loaned to businesses in the City.

Upon receipt of loan payments from the businesses, the funds remain in the Revolving Loan Account for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to the City. During the year ended June 30, 2020, one loan was repaid in full and the City had one loan outstanding at June 30, 2020.

The outstanding loan receivable of the General Fund, Revolving Loan Account at June 30, 2020 is as follows:

<u>Business</u>	<u>Date of Loan</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term of Loan</u>	<u>Balance at June 30, 2020</u>
Great Plains Survey, Inc.	Oct 2, 2017	\$ 24,126	3.0%	5 years	<u>\$ 13,584</u>

**(12) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**(13) Subsequent Event**

On July 7, 2020 the City issued \$3,570,000 of general obligation capital loan notes, Series 2020, for the construction and reconstruction of streets, bridges, storm sewers, sanitary sewers, water lines and other City improvements. The notes will bear interest at 2.0% per annum.

**(14) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of La Porte City, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of La Porte City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of La Porte City's operations and finances.

**City of La Porte City**

## **Other Information**



City of La Porte City  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
<b>Receipts:</b>				
Property tax	\$ 1,054,060	-	-	1,054,060
Tax increment financing	184,950	-	-	184,950
Local option sales tax	1,514	-	-	1,514
Licenses and permits	23,945	-	-	23,945
Use of money and property	31,550	17,916	-	49,466
Intergovernmental	525,134	5,843	-	530,977
Charges for service	278,208	483,334	-	761,542
Miscellaneous	184,564	4,622	16,989	172,197
Total receipts	<u>2,283,925</u>	<u>511,715</u>	<u>16,989</u>	<u>2,778,651</u>
<b>Disbursements:</b>				
Public safety	496,690	-	17,493	479,197
Public works	761,938	-	-	761,938
Health and social services	8,716	-	-	8,716
Culture and recreation	352,573	-	8,736	343,837
Community and economic development	8,560	-	-	8,560
General government	196,743	-	-	196,743
Debt service	378,288	-	-	378,288
Capital projects	268,951	-	-	268,951
Business type activities	-	414,372	-	414,372
Total disbursements	<u>2,472,459</u>	<u>414,372</u>	<u>26,229</u>	<u>2,860,602</u>
Excess (deficiency) of receipts over (under) disbursements	(188,534)	97,343	(9,240)	(81,951)
Other financing sources, net	63,306	(44,545)	-	18,761
Change in balances	(125,228)	52,798	(9,240)	(63,190)
Balances beginning of year	<u>2,055,682</u>	<u>673,902</u>	<u>36,270</u>	<u>2,693,314</u>
Balances end of year	<u>\$ 1,930,454</u>	<u>726,700</u>	<u>27,030</u>	<u>2,630,124</u>

See accompanying independent auditor's report.

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<u>Budgeted Amounts</u>		Final to
Original	Final	Total
		Variance
1,070,771	1,070,771	(16,711)
186,000	186,000	(1,050)
302,041	302,041	(300,527)
22,325	22,825	1,120
45,450	48,850	616
408,439	443,229	87,748
731,100	766,875	(5,333)
98,875	403,350	(231,153)
<u>2,865,001</u>	<u>3,243,941</u>	<u>(465,290)</u>
516,086	530,186	50,989
836,150	866,920	104,982
11,017	23,017	14,301
389,242	410,042	66,205
29,500	75,000	66,440
223,636	226,736	29,993
393,500	393,500	15,212
805,000	1,867,000	1,598,049
<u>1,492,600</u>	<u>1,520,400</u>	<u>1,106,028</u>
<u>4,696,731</u>	<u>5,912,801</u>	<u>3,052,199</u>
(1,831,730)	(2,668,860)	2,586,909
<u>3,500,000</u>	<u>3,510,850</u>	<u>(3,492,089)</u>
1,668,270	841,990	(905,180)
<u>1,909,254</u>	<u>1,909,254</u>	<u>784,060</u>
<u>3,577,524</u>	<u>2,751,244</u>	<u>(121,120)</u>

**City of La Porte City**

La Porte City

Notes to Other Information – Budgetary Reporting

June 30, 2020

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 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 \$1,216,070. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

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City of La Porte City

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

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.006435%	0.006107%	0.006204%	0.006639%
City's proportionate share of the net pension liability	\$ 373	386	413	418
City's covered payroll	\$ 722	664	658	655
City's proportionate share of the net pension liability as a percentage of its covered payroll	51.66%	58.13%	62.77%	63.82%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

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

See accompanying independent auditor's report.

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2016	2015
0.006278%	0.005706%
310	226
661	625
46.90%	36.16%
85.19%	87.61%

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City of La Porte City

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 68	70	61	61
Contributions in relation to the statutorily required contribution	<u>(68)</u>	<u>(70)</u>	<u>(61)</u>	<u>(61)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 705	722	664	658
Contributions as a percentage of covered payroll	9.65%	9.70%	9.19%	9.27%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
60	61	58	55	36	42
(60)	(61)	(58)	(55)	(36)	(42)
-	-	-	-	-	-
655	661	625	598	511	568
9.16%	9.23%	9.28%	9.20%	7.05%	7.39%



City of La Porte City

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- 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.

**Supplementary Information**

City of 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, 2020

		Special	
	Employee	Tax	LPC
	Benefits	Increment	Firefighters
		Financing	Association
Receipts:			
Property tax	\$ 220,833	-	-
Tax increment financing	-	184,950	-
Other city tax	326.00	-	-
Intergovernmental	3,654	-	-
Miscellaneous	2,242	-	2,195
Total receipts	227,055	184,950	2,195
Disbursements:			
Operating:			
Public safety	78,742	-	9,929
Public works	80,780	-	-
Culture and recreation	27,723	-	-
General government	17,405	-	-
Total disbursements	204,650	-	9,929
Excess (deficiency) of receipts over (under) disbursements	22,405	184,950	(7,734)
Other financing uses:			
Transfers out	-	(182,038)	-
Change in cash balances	22,405	2,912	(7,734)
Cash balances beginning of year	9,574	6,379	27,286
Cash balances end of year	\$ 31,979	9,291	19,552
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	9,291	-
Other purposes	31,979	-	19,552
Total cash basis fund balances	\$ 31,979	9,291	19,552

See accompanying independent auditor's report.

Revenue		
LPC Police Association	Friends of the Museum	Total
-	-	220,833
-	-	184,950
-	-	326
-	-	3,654
8,352	6,442	19,231
8,352	6,442	428,994
7,564	-	96,235
-	-	80,780
-	8,736	36,459
-	-	17,405
7,564	8,736	230,879
788	(2,294)	198,115
-	-	(182,038)
788	(2,294)	16,077
3,752	5,232	52,223
4,540	2,938	68,300
-	-	9,291
4,540	2,938	59,009
4,540	2,938	68,300

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City of La Porte City  
Schedule of Indebtedness  
Year ended June 30, 2020

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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
1,390,000	-	100,000	1,290,000	35,335
325,000	-	160,000	165,000	3,945
700,000	-	50,000	650,000	14,158
<b>\$ 2,415,000</b>	-	<b>310,000</b>	<b>2,105,000</b>	<b>53,438</b>

**City of La Porte City**

## City of La Porte City

## Note Maturities

June 30, 2020

Year Ending June 30,	General Obligation Notes							Total
	Streets, Street Lighting, Sidewalks, Sanitary System, Water Works		Refunding		Streets, Sidewalks, Storm Sewers, Water Lines			
	Issued Mar 13, 2012		Issued May 28, 2013		Issued May 24, 2016			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2021	2.00%	\$ 100,000	1.30%	\$ 165,000	1.25%	\$ 50,000	\$ 315,000	
2022	2.20	205,000	-	-	1.50	50,000	255,000	
2023	2.35	210,000	-	-	1.50	55,000	265,000	
2024	2.50	220,000	-	-	1.80	55,000	275,000	
2025	2.75	180,000	-	-	1.80	55,000	235,000	
2026	3.00	185,000	-	-	2.10	60,000	245,000	
2027	3.10	190,000	-	-	2.10	60,000	250,000	
2028	-	-	-	-	2.40	65,000	65,000	
2029	-	-	-	-	2.40	65,000	65,000	
2030	-	-	-	-	2.75	65,000	65,000	
2031	-	-	-	-	2.75	70,000	70,000	
Total		<u>\$ 1,290,000</u>		<u>\$ 165,000</u>		<u>\$ 650,000</u>	<u>\$ 2,105,000</u>	

See accompanying independent auditor's report.



City of La Porte City

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

For the Last Ten Years

	2020	2019	2018	2017
<b>Receipts:</b>				
Property tax	\$ 1,054,060	963,974	963,291	954,829
Tax increment financing	184,950	185,052	195,599	154,135
Local option sales tax	1,514	301,368	274,770	310,908
Other city tax	-	-	-	-
Licenses and permits	23,945	24,689	22,696	27,727
Use of money and property	31,550	41,125	28,440	26,848
Intergovernmental	525,134	510,861	789,055	752,503
Charges for service	278,208	279,536	283,606	281,756
Miscellaneous	184,564	335,230	230,070	148,991
<b>Total</b>	<b>\$ 2,283,925</b>	<b>2,641,835</b>	<b>2,787,527</b>	<b>2,657,697</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 496,690	754,846	636,464	499,277
Public works	761,938	756,079	742,506	699,123
Health and social services	8,716	8,685	8,755	8,313
Culture and recreation	352,573	357,484	422,861	342,553
Community and economic development	8,560	235	33,512	6,765
General government	196,743	214,821	201,404	178,732
Debt service	378,288	359,243	453,113	468,329
Capital projects	268,951	118,552	394,390	1,489,670
<b>Total</b>	<b>\$ 2,472,459</b>	<b>2,569,945</b>	<b>2,893,005</b>	<b>3,692,762</b>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
922,017	914,315	905,527	819,070	781,888	749,449
139,168	123,674	149,006	146,534	168,031	196,336
279,050	280,000	294,079	277,129	293,716	278,139
-	-	-	-	-	5,529
27,840	41,257	43,439	28,700	22,815	22,224
27,998	29,616	38,268	40,908	21,747	32,131
452,541	373,221	426,244	322,697	432,159	616,627
278,451	270,336	271,210	243,052	250,557	226,300
367,261	194,047	182,226	560,243	196,988	122,449
<u>2,494,326</u>	<u>2,226,466</u>	<u>2,309,999</u>	<u>2,438,333</u>	<u>2,167,901</u>	<u>2,249,184</u>
509,427	582,894	504,679	560,105	652,402	556,456
739,423	524,322	1,192,529	461,441	492,241	702,985
8,180	5,590	11,059	3,052	5,342	7,879
375,601	365,335	472,540	379,199	385,105	358,316
50,717	95,441	40,841	59,581	16,272	37,865
162,651	168,742	133,875	133,445	144,774	126,911
387,953	384,348	414,555	2,204,916	463,221	444,305
507,645	124,762	664,951	563,011	85,715	89,981
<u>2,741,597</u>	<u>2,251,434</u>	<u>3,435,029</u>	<u>4,364,750</u>	<u>2,245,072</u>	<u>2,324,698</u>



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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, 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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 17, 2021. 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 the City of 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 the City of La Porte City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of La Porte City's internal control.

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 La Porte City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 a certain immaterial instance of non-compliance or other matter which is 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, 2020 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.

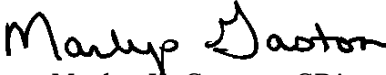
## The City of La Porte City's Responses to the Findings

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

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

March 17, 2021

City of La Porte City  
Schedule of Findings  
Year ended June 30, 2020

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

(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 and the component units' 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, 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 balance.

For the Firefighters Association and the Police Association, one individual has control over each of the following areas:

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

Cause – The City and the Firefighters and Police Associations have 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 and the Firefighters and Police Associations' 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 La Porte City

Schedule of Findings

Year ended June 30, 2020

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

Response – The City, Firefighters Association and Police Association will continue to review operating procedures with the goal of improving internal controls and oversight.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of La Porte City  
Schedule of Findings  
Year ended June 30, 2020

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – 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, Co-owner, La Porte City Printing and Design, Inc.	Legal publications	\$ 5,974
Jasmine Gaston, Council Member, Co-owner of Henninger Electric	Electrical work	1,699

In accordance with Chapter 362.5(3)(f) of the Code of Iowa, the transactions with La Porte City Printing and Design, Inc. for legal publications do not appear to represent a conflict of interest since these transactions were for legal publications in the City’s designated official newspaper.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Henninger Electric do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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.

City of La Porte City

Schedule of Findings

Year ended June 30, 2020

- (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.
- (10) Interfund Loan – The City transferred \$70,000 from the Debt Service Fund as an interfund loan to the Capital Project Fund for the Wolf Creek Park and Trails project.

Chapter 384.4 of the Code of Iowa provides for the establishment of a Debt Service Fund and a certification of taxes in that fund in an amount necessary to pay the following:

- a. Judgements against the City, except those authorized by state law to be paid from other funds.
- b. Interest as it becomes due and the amount necessary to pay, or to create a sinking fund to pay, the principal at maturity of all general obligation bonds issued by the city.
- c. Payments required to be made from the debt service fund under a lease of lease-purchase agreement.
- d. Payments required to be made from the debt service fund under a loan agreement.
- e. Payments authorized to be made from the debt service fund to a flood project fund under section 418.14, section 4.

Chapter 384.5 of the Code of Iowa states, in part, “Only excess moneys remaining after retirement of all indebtedness payable from the fund may be transferred from the debt service fund to any other city fund, subject to the terms of the original bond issue.” The City’s outstanding principal balance on general obligation notes at June 30, 2020 totaled \$2,105,000.

Moneys deposited in the Debt service Fund may only be used in accordance with Chapter 384.4 of the Code of Iowa and are not available for any other purpose.

The \$70,000 was returned to the Debt Service Fund and this was properly adjusted for reporting purposes.

Recommendation – The City should ensure future disbursements from the Debt Service Fund are in accordance with Chapter 384.4 of the Code of Iowa.

Response – The City has reversed the interfund loan to the Capital Projects Fund and will ensure future payments from the Debt Service Fund are in accordance with the Code.

Conclusion – Response accepted.



City of La Porte City

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Michelle B. Meyer, CPA, Manager  
Kelly L. Hilton, Senior Auditor  
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