



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

December 5, 2018

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$3,256,235 for the year ended June 30, 2018, a less than 1% increase over the prior year. The receipts included \$963,291 of property tax, \$195,599 of tax increment financing, \$816,104 of charges for service, \$137,372 of operating grants, contributions and restricted interest, \$664,413 of capital grants, contributions and restricted interest, \$274,770 of local option sales tax, \$45,132 of unrestricted interest on investments, \$3,722 of proceeds from the sale of capital assets and \$155,832 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$3,237,034, a 20.5% decrease from the prior year, and included \$742,506 for public works, \$639,464 for public safety and \$453,113 for debt service. Also, disbursements for business type activities totaled \$344,029.

The significant decrease in disbursements is due primarily to decreased costs for improvements to the City's commercial district which were completed in the prior year.

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

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

JUNE 30, 2018

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La Porte City

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Neil	Mayor	Jan 2018
Eric Allsup	Mayor Pro tem	Jan 2018
Brent Sadler	Council Member	Jan 2018
Jasmine Gaston	Council Member	Jan 2020
Kristi Harrill	Council Member	Jan 2020
Mike Johnson	Council Member	Jan 2020
Jane Whittlesey	City Clerk/Treasurer	Indefinite
Laura Folkerts (Appointed Sep 2017)	Attorney	Indefinite

(After January 2018)

<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	Jan 2020
Tim Smith	Council Member	Jan 2022
Jane Whittlesey	City Clerk/Treasurer	Indefinite
Laura Folkerts	Attorney	Indefinite

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, 2018, 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, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 5 to the financial statements, City of La Porte City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 year ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 36 through 42, 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 November 12, 2018 on our consideration of La Porte City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering La Porte City's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

November 12, 2018

La Porte City

MANAGEMENT'S DISCUSSION AND ANALYSIS

La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 0.6%, or approximately \$18,000, from fiscal year 2017 to fiscal year 2018. Property tax, including tax increment financing, increased approximately \$50,000 and operating grants, contributions and restricted interest increased approximately \$29,000. Local option sales tax decreased approximately \$36,000.
- Disbursements of the City's governmental activities decreased 21.7%, or approximately \$800,000, in fiscal year 2018 from fiscal year 2017. Public safety and culture and recreation disbursements increased approximately \$137,000 and \$80,000, respectively. Capital projects disbursements decreased approximately \$1,095,000.
- The City's total cash basis net position increased less than 1.0%, or approximately \$19,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities decreased \$60,451 and the cash basis net position of the business type activities increased \$79,652.

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, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

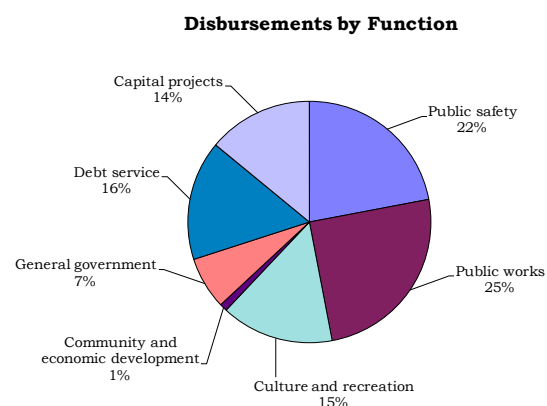
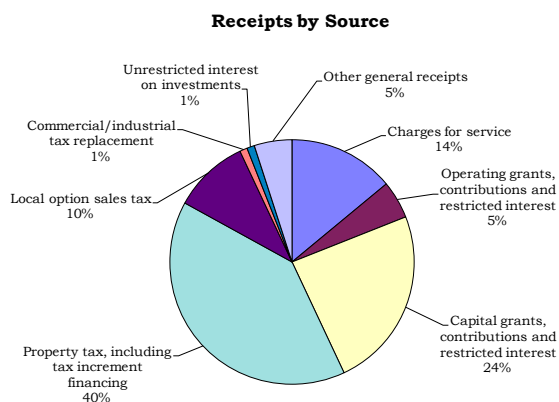
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Sewer and Ambulance Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.001 million to approximately \$1.940 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,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 381,264	379,045
Operating grants, contributions and restricted interest	133,025	104,042
Capital grants, contributions and restricted interest	664,413	665,821
General receipts:		
Property tax, including tax increment financing	1,158,890	1,108,964
Local option sales tax	274,770	310,908
Commercial/industrial tax replacement	19,193	14,781
Unrestricted interest on investments	19,333	19,246
Other general receipts	140,361	170,476
Total receipts	2,791,249	2,773,283
Disbursements:		
Public safety	636,464	499,277
Public works	742,506	699,123
Health and social services	8,755	8,313
Culture and recreation	422,861	342,553
Community and economic development	33,512	6,765
General government	201,404	178,732
Debt service	453,113	468,329
Capital projects	394,390	1,489,670
Total disbursements	2,893,005	3,692,762
Change in cash basis net position before transfers	(101,756)	(919,479)
Transfers, net	41,305	81,420
Change in cash basis net position	(60,451)	(838,059)
Cash basis net position beginning of year	2,000,811	2,838,870
Cash basis net position end of year	\$ 1,940,360	2,000,811



The City's total receipts for governmental activities increased 0.6%, or approximately \$18,000, over the prior year. The total cost of all programs and services decreased approximately \$800,000 or 21.7% with capital project disbursements decreasing approximately \$1,100,000, or 73.5%, as a result of decreased costs during fiscal year 2018 associated with the downtown façade project.

The cost of all governmental activities this year was approximately \$2.893 million compared to approximately \$3.693 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 \$1.714 million because some of the cost was paid by those directly benefited from the programs (approximately \$381,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$797,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately \$1.149 million to approximately \$1.179 million, principally due to an increase in operating grants.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 326,969	321,785
Ambulance	107,871	126,303
Operating grants, contributions and restricted interest	4,347	4,181
General receipts:		
Unrestricted interest on investments	25,799	9,167
Total receipts	<u>464,986</u>	<u>461,436</u>
Disbursements:		
Sewer	227,685	286,173
Ambulance	116,344	94,409
Total disbursements	<u>344,029</u>	<u>380,582</u>
Change in cash basis net position before transfers	120,957	80,854
Transfers, net	<u>(41,305)</u>	<u>(81,420)</u>
Change in cash basis net position	79,652	(566)
Cash basis net position beginning of year	<u>564,935</u>	<u>565,501</u>
Cash basis net position end of year	<u>\$ 644,587</u>	<u>564,935</u>

Total business type activities receipts for the fiscal year were approximately \$465,000 compared to approximately \$461,000 last year. Total disbursements for the fiscal year decreased 9.6% to approximately \$344,000. The cash balance increase approximately \$80,000 over the prior year balance.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As La Porte City completed the year, its governmental funds reported a combined fund balance of \$1,940,362, a decrease of approximately \$60,000 below last year's total of \$2,000,811. 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 \$14,411 over the prior year to \$945,392. This increase is attributable to the receipt of a grant from the Iowa Department of Natural Resources for a building demolition project.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$13,453 to \$472,852. This decrease was primarily attributable to a decrease in public works disbursements caused by fewer street overlay projects in the current fiscal year.
- 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 \$426,563, remaining relatively constant when compared to the previous year.
- The Debt Service Fund cash balance increased \$6,398 to \$36,420. This increase was due to a decrease in debt service payments during fiscal year 2018.
- The Capital Projects Fund cash balance decreased \$63,122 to \$2,781. This decrease was due to the completion of various capital projects, including the Wolf Creek rehabilitation project and improvements to the City's commercial district.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$73,157 to \$433,246, due primarily to fewer equipment and repair costs during fiscal year 2018.
- The Enterprise, Ambulance Fund cash balance increased \$6,495 to \$211,341, due primarily to an increase in interest on investments.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 14, 2018 and resulted in an increase in government activities disbursements related to additional wages, equipment repairs and equipment purchases in public works, costs for pool painting and refurbishing of the tennis courts. There were also additional disbursements in community and economic development for building demolition which were substantially covered by grant proceeds. Additional disbursements were also incurred for professional services for a housing study, code of ordinance update and annual audit. The City had sufficient cash balances to absorb these additional costs. The amendment also included a decrease of \$879,022 in business type activities disbursements to realign the budget with anticipated disbursements.

The City's receipts were \$120,504 less than budgeted. This was primarily due to grant receipts for a new fire truck which were budgeted in fiscal year 2018 but were not received until fiscal year 2019 and an overstatement of expected sewer receipts.

Actual disbursements for the business type activities, public safety and public works functions were \$209,369, \$95,308 and \$62,593, respectively, less than the amended budget. The reduction in disbursements for business type activities was primarily due to a reduction in capital equipment and improvements and regular operational expenses at the sewer treatment plant. For public safety, the reduction in disbursements was due in part to a reduction in health insurance expenses in the police department due to retirements as well as savings in vehicle operations and dispatch fees. In addition, the purchase of a new fire truck was budgeted in fiscal year 2018, but only partially paid in that fiscal year. For public works, the reduction in disbursements was due in part to wages that were less than budgeted as well as capital projects (streets) that were budgeted for fiscal year 2018, but did not take place.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$2,715,000 of general obligation notes outstanding, compared to \$3,105,000 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 \$2.9 million, including tax increment financing (TIF) debt of approximately \$140,000 is significantly below its constitutional debt limit of approximately \$5.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

La Porte City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

In recent years, the City has seen very little growth in overall property values. As a result, the City has at times struggled to meet the demand for services without substantial increases to the levy rate. In fiscal year 2019, the City completed a housing needs study as well as an Urban Revitalization Plan that includes incentives for new construction and substantial improvements to existing housing.

The City is developing plans for Main Street rehabilitation, a project expected to begin by fiscal year 2022.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 636,464	42,869	64,927	-
Public works	742,506	263,746	9,140	291,543
Health and social services	8,755	5,318	-	-
Culture and recreation	422,861	65,651	39,166	836
Community and economic development	33,512	-	19,792	-
General government	201,404	3,680	-	-
Debt service	453,113	-	-	-
Capital projects	394,390	-	-	372,034
Total governmental activities	2,893,005	381,264	133,025	664,413
Business type activities:				
Sewer	227,685	326,969	-	-
Ambulance	116,344	107,871	4,347	-
Total business type activities	344,029	434,840	4,347	-
Total primary government	\$ 3,237,034	816,104	137,372	664,413
Component unit:				
La Porte City Utilities	\$ 2,788,746	2,469,953	-	-
General Receipts and Transfers:				
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				
Cash Basis Net Position				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	La Porte City Utilities
(528,668)	-	(528,668)	
(178,077)	-	(178,077)	
(3,437)	-	(3,437)	
(317,208)	-	(317,208)	
(13,720)	-	(13,720)	
(197,724)	-	(197,724)	
(453,113)	-	(453,113)	
(22,356)	-	(22,356)	
(1,714,303)	-	(1,714,303)	
-	99,284	99,284	
-	(4,126)	(4,126)	
-	95,158	95,158	
(1,714,303)	95,158	(1,619,145)	
			(318,793)
741,369	-	741,369	-
221,922	-	221,922	-
195,599	-	195,599	-
274,770	-	274,770	-
12,394	-	12,394	-
19,193	-	19,193	-
19,333	25,799	45,132	6,751
124,245	-	124,245	1,949
3,722	-	3,722	-
41,305	(41,305)	-	-
1,653,852	(15,506)	1,638,346	8,700
(60,451)	79,652	19,201	(310,093)
2,000,811	564,935	2,565,746	2,656,933
\$ 1,940,360	644,587	2,584,947	2,346,840
\$ 472,852	-	472,852	-
5,073	-	5,073	-
36,420	-	36,420	378,659
2,781	-	2,781	827,364
477,842	-	477,842	10,000
945,392	644,587	1,589,979	1,130,817
\$ 1,940,360	644,587	2,584,947	2,346,840

La Porte City

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

As of and for the year ended June 30, 2018

	Special Revenue		
	General	Road Use Tax	Library and Museum
Receipts:			
Property tax	\$ 572,021	-	-
Tax increment financing	-	-	-
Other city tax	274,770	-	-
Licenses and permits	22,696	-	-
Use of money and property	28,440	-	-
Intergovernmental	117,902	291,543	-
Charges for service	283,606	-	-
Miscellaneous	158,668	-	25,931
Total receipts	<u>1,458,103</u>	<u>291,543</u>	<u>25,931</u>
Disbursements:			
Operating:			
Public safety	523,775	-	1,299
Public works	402,438	272,144	-
Health and social services	8,755	-	-
Culture and recreation	397,543	-	58
Community and economic development	32,742	-	-
General government	186,445	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,551,698</u>	<u>272,144</u>	<u>1,357</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(93,595)</u>	<u>19,399</u>	<u>24,574</u>
Other financing sources (uses):			
Sale of capital assets	3,722	-	-
Transfers in	115,028	1,148	744
Transfers out	(10,744)	(34,000)	(28,502)
Total other financing sources (uses)	<u>108,006</u>	<u>(32,852)</u>	<u>(27,758)</u>
Change in cash balances	14,411	(13,453)	(3,184)
Cash balances beginning of year	930,981	486,305	429,747
Cash balances end of year	<u>\$ 945,392</u>	<u>472,852</u>	<u>426,563</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	472,852	-
Urban renewal purposes	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	426,563
Unassigned	945,392	-	-
Total cash basis fund balances	<u>\$ 945,392</u>	<u>472,852</u>	<u>426,563</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
221,922	-	169,348	963,291
-	-	195,599	195,599
-	-	-	274,770
-	-	-	22,696
-	-	-	28,440
4,112	372,034	3,464	789,055
-	-	-	283,606
-	-	45,471	230,070
226,034	372,034	413,882	2,787,527
-	-	111,390	636,464
-	-	67,924	742,506
-	-	-	8,755
-	-	25,260	422,861
-	-	770	33,512
-	-	14,959	201,404
453,113	-	-	453,113
-	394,390	-	394,390
453,113	394,390	220,303	2,893,005
(227,079)	(22,356)	193,579	(105,478)
-	-	-	3,722
233,477	44,500	-	394,897
-	(85,266)	(195,080)	(353,592)
233,477	(40,766)	(195,080)	45,027
6,398	(63,122)	(1,501)	(60,451)
30,022	65,903	57,853	2,000,811
36,420	2,781	56,352	1,940,360
-	-	-	472,852
-	-	5,073	5,073
36,420	-	-	36,420
-	2,781	-	2,781
-	-	51,279	477,842
-	-	-	945,392
36,420	2,781	56,352	1,940,360

La Porte City

La Porte City

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

As of and for the year ended June 30, 2018

	Enterprise		
	Sewer	Ambulance	Total
Operating receipts:			
Charges for service	\$ 323,955	99,405	423,360
Miscellaneous	3,014	8,466	11,480
Total operating receipts	326,969	107,871	434,840
Operating disbursements:			
Business type activities	227,685	116,344	344,029
Excess (deficiency) of operating receipts over (under) operating disbursements	99,284	(8,473)	90,811
Non-operating receipts:			
Intergovernmental	-	4,347	4,347
Interest on investments	15,178	10,621	25,799
Total non-operating receipts	15,178	14,968	30,146
Excess of receipts over disbursements	114,462	6,495	120,957
Transfers out	(41,305)	-	(41,305)
Change in cash balances	73,157	6,495	79,652
Cash balances beginning of year	360,089	204,846	564,935
Cash balances end of year	\$ 433,246	211,341	644,587
Cash Basis Fund Balances			
Unrestricted	\$ 433,246	211,341	644,587

See notes to financial statements.

La Porte City

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

La Porte City is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities and ambulance services for its citizens.

A. Reporting Entity

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

These financial statements present the City of La Porte City (the primary government), and the following component units: The La Porte City Police Association, 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. Enabling legislation did not result in any restricted net position.

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. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, disbursements in the community and economic development function exceeded the amount budgeted prior to the budget amendment.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Notes Payable

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 300,000	57,078	357,078
2020	310,000	53,437	363,437
2021	315,000	49,013	364,013
2022	255,000	44,242	299,242
2023	265,000	38,982	303,982
2024-2028	1,070,000	101,562	1,171,562
2029-2031	200,000	10,910	210,910
Total	\$ 2,715,000	355,224	3,070,224

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

On March 13, 2012, the City issued \$1,920,000 of general obligation capital loan notes to provide funds for constructing streets and public grounds improvements. The notes bear interest ranging from .85% to 3.10% per annum and mature on June 1, 2027. During fiscal year 2018, the City paid principal of \$90,000 and interest of \$38,575 on the notes. The outstanding principal balance at June 30, 2018 was \$1,480,000.

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 2018, the City paid principal of \$250,000 and interest of \$7,465 on the notes. The outstanding principal balance at June 30, 2018 was \$485,000.

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 2018, the City paid principal of \$50,000 and interest of \$15,158 on the notes. The outstanding principal balance at June 30, 2018 was \$750,000.

(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.

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

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

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

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

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City’s contributions to IPERS for the year ended June 30, 2018 totaled \$61,187.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$413,265 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City’s proportion was 0.006204%, which was a decrease of 0.000435% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$75,255, \$211,713 and \$122,470, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 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, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
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	\$ 793,787	413,265	93,673

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. 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. The most recent active member monthly premiums for the City and the plan members range from \$698 for single coverage to \$2,207 for family coverage. For the year ended June 30, 2018, the City contributed \$162,078 and plan members eligible for benefits contributed \$17,659 to the plan. At June 30, 2018, 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 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>12</u>
Total	<u><u>12</u></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 2023.

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, 2018:

Year Ending June 30,	Mower
2019	\$ 2,616
2020	2,111
2021	1,943
2022	1,943
2023	<u>486</u>
Total	<u><u>\$ 9,099</u></u>

Rental expense for the year ended June 30, 2018 for these operating leases totaled \$3,043.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory 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, sick leave and compensatory time payable to employees at June 30, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 12,600
Sick leave	21,000
Compensatory time	300
Total	<u>\$ 33,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Library and Museum	\$ 28,502
	Tax Increment Financing	42,932
	Capital Projects	<u>43,594</u>
		<u>115,028</u>
Road Use Tax	Special Revenue:	
	Tax Increment Financing	<u>1,148</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	151,000
	Enterprise:	
	Sewer	40,805
	Capital Projects	<u>41,672</u>
		<u>233,477</u>
Capital Projects	General	10,000
	Special Revenue:	
	Road Use Tax	34,000
	Enterprise:	
	Sewer	<u>500</u>
		<u>44,500</u>
Library and Museum	General	<u>744</u>
Total		<u>\$ 394,897</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, 2018, no repayments were made, leaving a balance of \$45,000.

During the year ended June 30, 2008, the Special Revenue, Road Use Tax Fund loaned \$46,909 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the Special Revenue, Road Use Tax Fund. During the year ended June 30, 2018, \$1,148 was repaid to the Special Revenue, Road Use Tax Fund, paying off the remaining balance.

During the year ended June 30, 2009, the General Fund and the General Fund, Equipment Replacement Account loaned \$41,000 and \$39,274, respectively, to the Debt Service Fund for debt payments related to the Sweet Addition project. The loans were certified as a tax increment obligations and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2018, \$41,000 and \$132 was repaid to the General Fund and the General Fund, Equipment Replacement Account, respectively, leaving a balance of \$36,515.

Also, during the year ended June 30, 2009, the General Fund, Economic Development Account loaned \$4,714 to the Special Revenue, Tax Increment Financing Fund for interest payments certified on the Witham Development Agreement. During the year ended June 30, 2018, \$1,800 was repaid to the General Fund, Economic Development Account leaving a balance of \$1,114.

During the year ended June 30, 2010, the General Fund, Economic Development Account loaned \$4,089 to the Special Revenue, Tax Increment Financing Fund for interest payments certified on the Witham Development Agreement. During the year ended June 30, 2018, no repayments were made, leaving a balance of \$4,089.

Also, during the year ended June 30, 2010, the General Fund loaned \$38,418 to the Debt Service Fund for debt payments related to the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2018, no repayments were made, leaving a balance of \$34,576.

During the year ended June 30, 2011, the General Fund loaned \$12,250 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2018, no repayments were made, leaving a balance of \$12,250.

During the year ended June 30, 2012, the General Fund loaned \$51,000 to the Debt Service Fund for debt payments related to the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2018, no repayments were made, leaving a balance of \$51,000.

(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 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 Fund 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, 2018, the City had three loans outstanding.

Outstanding loans receivable of the General Fund, Revolving Loan Account at June 30, 2018 are 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, 2018</u>
Great Plains Survey, Inc.	Oct 2, 2017	\$ 24,126	3.0%	5 years	\$ 20,754
Tootsie's Ice Cream & More	Oct 10, 2013	35,000	3.0	10 years	25,643
La Porte City Printing and Design, Inc.	Apr 12, 2010	40,000	4.0	10 years	8,950
					<u>\$ 55,347</u>

La Porte City

Other Information

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 963,291	-	-	963,291
Tax increment financing	195,599	-	-	195,599
Other city tax	274,770	-	-	274,770
Licenses and permits	22,696	-	-	22,696
Use of money and property	28,440	25,799	-	54,239
Intergovernmental	789,055	4,347	-	793,402
Charges for service	283,606	423,360	-	706,966
Miscellaneous	230,070	11,480	39,732	201,818
Total receipts	<u>2,787,527</u>	<u>464,986</u>	<u>39,732</u>	<u>3,212,781</u>
Disbursements:				
Public safety	636,464	-	34,540	601,924
Public works	742,506	-	-	742,506
Health and social services	8,755	-	-	8,755
Culture and recreation	422,861	-	248	422,613
Community and economic development	33,512	-	-	33,512
General government	201,404	-	-	201,404
Debt service	453,113	-	-	453,113
Capital projects	394,390	-	-	394,390
Business type activities	-	344,029	-	344,029
Total disbursements	<u>2,893,005</u>	<u>344,029</u>	<u>34,788</u>	<u>3,202,246</u>
Excess (deficiency) of receipts over (under) disbursements	(105,478)	120,957	4,944	10,535
Other financing sources, net	45,027	(41,305)	-	3,722
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(60,451)	79,652	4,944	14,257
Balances beginning of year	<u>2,000,811</u>	<u>564,935</u>	<u>24,763</u>	<u>2,540,983</u>
Balances end of year	<u>\$ 1,940,360</u>	<u>644,587</u>	<u>29,707</u>	<u>2,555,240</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
958,005	958,005	5,286
195,080	195,080	519
292,022	292,022	(17,252)
28,325	28,325	(5,629)
23,700	44,700	9,539
867,789	910,143	(116,741)
738,800	753,760	(46,794)
100,550	151,250	50,568
<u>3,204,271</u>	<u>3,333,285</u>	<u>(120,504)</u>
772,302	697,232	95,308
739,899	805,099	62,593
9,517	9,517	762
374,501	483,099	60,486
28,500	63,545	30,033
178,115	204,090	2,686
453,698	453,698	585
415,000	401,500	7,110
<u>1,432,420</u>	<u>553,398</u>	<u>209,369</u>
<u>4,403,952</u>	<u>3,671,178</u>	<u>468,932</u>
(1,199,681)	(337,893)	348,428
-	9,700	(5,978)
(1,199,681)	(328,193)	342,450
<u>1,973,905</u>	<u>1,973,905</u>	<u>567,078</u>
<u>774,224</u>	<u>1,645,712</u>	<u>909,528</u>

La Porte City

Notes to Other Information – Budgetary Reporting

June 30, 2018

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 decreased budgeted disbursements by \$732,774. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the community and economic development function prior to the budget amendment.

La Porte City

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.006204%	0.006639%	0.006278%	0.005706%
City's proportionate share of the net pension liability	\$ 413	418	310	226
City's covered payroll	\$ 658	655	661	625
City's proportionate share of the net pension liability as a percentage of its covered payroll	62.77%	63.82%	46.90%	36.16%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

La Porte City

Schedule of City Contributions

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

Other Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 61	61	60	61
Contributions in relation to the statutorily required contribution	<u>(61)</u>	<u>(61)</u>	<u>(60)</u>	<u>(61)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 664	658	655	661
Contributions as a percentage of covered payroll	9.19%	9.27%	9.16%	9.23%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
58	55	36	42	44	49
(58)	(55)	(36)	(42)	(44)	(49)
-	-	-	-	-	-
625	598	511	568	566	564
9.28%	9.20%	7.05%	7.39%	7.77%	8.69%

La Porte City

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

The 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Supplementary Information

La Porte City

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

As of and for the year ended June 30, 2018

			Special
	Employee Benefits	Tax Increment Financing	Urban Renewal LMI
Receipts:			
Property tax	\$ 169,348	-	-
Tax increment financing	-	195,599	-
Intergovernmental	3,464	-	-
Miscellaneous	5,244	-	-
Total receipts	<u>178,056</u>	<u>195,599</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	76,850	-	-
Public works	67,924	-	-
Cultures and recreation	25,012	-	-
Community and economic development	-	726	44
General government	14,959	-	-
Total disbursements	<u>184,745</u>	<u>726</u>	<u>44</u>
Excess (deficiency) of receipts over (under) disbursements	(6,689)	194,873	(44)
Other financing uses:			
Transfers out	-	(195,080)	-
Change in cash balances	(6,689)	(207)	(44)
Cash balances beginning of year	28,261	5,280	44
Cash balances end of year	<u>\$ 21,572</u>	<u>5,073</u>	<u>-</u>
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	5,073	-
Other purposes	21,572	-	-
Total cash basis fund balances	<u>\$ 21,572</u>	<u>5,073</u>	<u>-</u>

See accompanying independent auditor's report.

<u>Revenue</u>			
LPC Firefighters Association	LPC Police Association	Friends of the Museum	Total
-	-	-	169,348
-	-	-	195,599
-	-	-	3,464
34,653	4,102	1,472	45,471
34,653	4,102	1,472	413,882
32,134	2,406	-	111,390
-	-	-	67,924
-	-	248	25,260
-	-	-	770
-	-	-	14,959
32,134	2,406	248	220,303
2,519	1,696	1,224	193,579
-	-	-	(195,080)
2,519	1,696	1,224	(1,501)
22,057	2,211	-	57,853
24,576	3,907	1,224	56,352
-	-	-	5,073
24,576	3,907	1,224	51,279
24,576	3,907	1,224	56,352

La Porte City
Schedule of Indebtedness
Year ended June 30, 2018

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
1,570,000	-	90,000	1,480,000	38,575
735,000	-	250,000	485,000	7,465
800,000	-	50,000	750,000	15,158
<u>\$ 3,105,000</u>	<u>-</u>	<u>390,000</u>	<u>2,715,000</u>	<u>61,198</u>

La Porte City

La Porte City
 Note Maturities
 June 30, 2018

General Obligation Notes								
Year Ending June 30,	Steet, Sewer and Water Projects		Refunding		Street Improvement		Total	
	Issued Mar 13, 2012		Issued May 28, 2013		Issued May 24, 2016			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2019	1.80%	\$ 90,000	0.95%	\$ 160,000	1.00%	\$ 50,000	300,000	
2020	2.00	100,000	1.13	160,000	1.25	50,000	310,000	
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>\$ 1,480,000</u>		<u>\$ 485,000</u>		<u>\$ 750,000</u>	<u>2,715,000</u>	

See accompanying independent auditor's report.

La Porte City

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

For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 963,291	954,829	922,017	914,315
Tax increment financing	195,599	154,135	139,168	123,674
Other city tax	274,770	310,908	279,050	280,000
Licenses and permits	22,696	27,727	27,840	41,257
Use of money and property	28,440	26,848	27,998	29,616
Intergovernmental	789,055	752,503	452,541	373,221
Charges for service	283,606	281,756	278,451	270,336
Miscellaneous	230,070	148,991	367,261	194,047
Total	<u>\$ 2,787,527</u>	<u>2,657,697</u>	<u>2,494,326</u>	<u>2,226,466</u>
Disbursements:				
Operating:				
Public safety	\$ 636,464	499,277	509,427	582,894
Public works	742,506	699,123	739,423	524,322
Health and social services	8,755	8,313	8,180	5,590
Culture and recreation	422,861	342,553	375,601	365,335
Community and economic development	33,512	6,765	50,717	95,441
General government	201,404	178,732	162,651	168,742
Debt service	453,113	468,329	387,953	384,348
Capital projects	394,390	1,489,670	507,645	124,762
Total	<u>\$ 2,893,005</u>	<u>3,692,762</u>	<u>2,741,597</u>	<u>2,251,434</u>

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
905,527	819,070	781,888	749,449	766,117	823,280
149,006	146,534	168,031	196,336	138,695	74,301
294,079	277,129	293,716	283,668	287,309	286,569
43,439	28,700	22,815	22,224	20,149	21,486
38,268	40,908	21,747	32,131	43,394	53,474
426,244	322,697	432,159	616,627	1,135,073	497,195
271,210	243,052	250,557	226,300	227,885	224,203
182,226	560,243	196,988	122,449	93,161	54,133
2,309,999	2,438,333	2,167,901	2,249,184	2,711,783	2,034,641
504,679	560,105	652,402	556,456	474,565	449,169
1,192,529	461,441	492,241	702,985	470,778	459,988
11,059	3,052	5,342	7,879	6,294	4,232
472,540	379,199	385,105	358,316	362,941	338,779
40,841	59,581	16,272	37,865	80,512	97,042
133,875	133,445	144,774	126,911	109,510	115,938
414,555	2,204,916	463,221	444,305	445,845	441,755
664,951	563,011	85,715	89,981	786,597	5,040
3,435,029	4,364,750	2,245,072	2,324,698	2,737,042	1,911,943

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, 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, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


La Porte City's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

November 12, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

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

In addition to lack of segregation of duties, the Firefighters Association does not have an independent person review reconciliations.

Cause – The City and the Firefighters Association 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 Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

City of La Porte City

Schedule of Findings

Year ended June 30, 2018

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

Conclusion – Response accepted.

(B) Journal Entries

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

Condition – Although an independent person signs off on the journal entries, these authorizations were not timely.

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

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

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

Response – The City has instituted an independent review process for journal entries and will ensure that documentation of review includes timely initialing and dating of the journal entry log.

Conclusion – Response accepted.

(C) Bank Reconciliations

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2018

Condition – Monthly bank statements are reconciled to the City’s monthly financial report. However, the monthly bank reconciliations were not reviewed and approved by an independent person prior to September 2017.

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

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

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

Response – The City has instituted an independent review process for oversight and will ensure that documentation of review includes initialing and dating of the reconciliation summary sheet.

Conclusion – Response accepted.

(D) Disaster Recovery Plan

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

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

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

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2018

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

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

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

Conclusion – Response accepted.

(E) Firefighters Association – Disbursements

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

Condition – During fiscal year 2018, the Firefighters Association issued two checks to “cash” for \$600 and \$500 for which supporting documentation was not available. Checks written to cash are not prohibited and there is no policy concerning this process.

Cause – Checks written to cash out of the Firefighters Association bank account is the result of a lack of a policy prohibiting this practice.

Effect – Lack of written policies and procedures prohibiting writing checks to cash could result in unauthorized and/or improper disbursements.

Recommendation – The practice of writing checks to “cash” should be discontinued.

Response – The Firefighters Association will continue to review operating procedures with a 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, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2018 disbursements in the community and economic development function exceeded the amount budgeted prior to the budget amendment.

Recommendation – The budget should have been amended in accordance with the Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will monitor disbursements closely to ensure they do not exceed the budget.

Conclusion – Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jane Whittlesey, City Clerk, Co-owner, La Porte City Printing and Design, Inc	Legal publications	\$ 3,969
Jane Whittlesey, City Clerk, Co-owner, La Porte City Printing and Design, Inc	Publishing services	1,093
Jasmine Gaston, Council Member, Co-owner of Henninger Electric	Electrical work	696

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)(k) of the Code of Iowa, the remaining transactions with La Porte City Printing and Design, Inc. and the transactions with Henninger Electric do not appear to represent a conflict of interest since the total transactions during the year were less than \$2,500.

City of La Porte City

Schedule of Findings

Year ended June 30, 2018

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Tax Increment Financing (TIF) – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

During the year ended June 30, 2018, the City paid \$726 of costs related to financial advisor fees from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts. In addition, in accordance with Chapter 403.19(10)(b) of the Code of Iowa, the City may not borrow from the TIF Fund.

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

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

Conclusion – Response acknowledged. The City should reimburse the TIF Fund from an allowable fund.

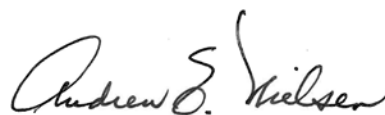
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of La Porte City

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Ryan T. Jelsma, Senior Auditor II
Alex N. Kawamura, CPA, Staff Auditor
Andrew J. Salwolke, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State