



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

State Capitol Building  
Des Moines, Iowa 50319-0006

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

Rob Sand  
Auditor of State

NEWS RELEASE

FOR RELEASE

January 30, 2020

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$3,155,657 for the year ended June 30, 2018. Disbursements for the year ended June 30, 2018 totaled \$3,064,138, including disbursements for business type activities which totaled \$547,801.

**AUDIT FINDINGS:**

Sand reported twenty-four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 49 through 68 of this report. The findings address issues such as a lack of segregation of duties, the lack of accurate reconciliations of utility billings, collections and delinquent accounts, the lack of adequate support and independent review for journal entries, disbursements exceeding budgeted amounts, questionable disbursements for donations, memorials and holiday party, noncompliance with the water revenue bond net receipts and sinking fund requirements and noncompliance with the non discriminatory rate provisions of Chapter 388.6 of the Code of Iowa. Sand provided the City with recommendations to address each of the findings.

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

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

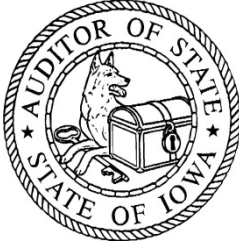
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**CITY OF LANSING**

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

**JUNE 30, 2018**

**City of Lansing**



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**STATE OF IOWA**

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Des Moines, Iowa 50319-0006

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

December 13, 2019

Officials of the City of Lansing  
Lansing, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Lansing, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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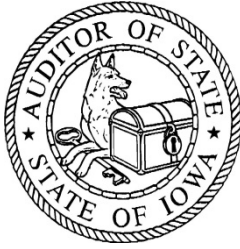
**City of Lansing**  
**Officials**  
**(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Brennan	Mayor	Jan 2018
Rebecca Conway	Council Member/Mayor Pro tem	Jan 2018
Ross Kolsrud	Council Member	Jan 2018
Pat Wagner	Council Member	Jan 2018
Stephanie Runkel	Council Member	Jan 2020
Curtis Snitker	Council Member	Jan 2020
Katie Becker	City Clerk/Administrator	Indefinite
Dan Ellefson	Deputy City Clerk	Indefinite
Rick Zahasky	Attorney	Indefinite

**(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Brennan	Mayor	Jan 2020
Stephanie Runkel	Council Member	Jan 2020
Curtis Snitker	Council Member/ Mayor Pro-tem	Jan 2020
Michael Manning	Council Member	Jan 2022
Justin Shepard	Council Member	Jan 2022
Deborah Volker	Council Member	Jan 2022
Katie Becker	City Clerk/Treasurer	Indefinite
Dan Ellefson	Deputy City Clerk	Indefinite
Rick Zahasky	Attorney	Indefinite

**City of Lansing**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing, 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.



### Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2017.

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2017, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing 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.

### Other Matters

#### *Supplementary and Other Information*

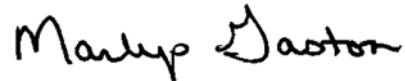
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 33, 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 December 13, 2019 on our consideration of the City of Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lansing's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

December 13, 2019

**City of Lansing**

## **Basic Financial Statements**

City of Lansing

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 422,081	72,678	70,162	-
Public works	406,615	74,261	130,678	-
Culture and recreation	271,759	122,677	70,398	-
Community and economic development	13,131	525	-	-
General government	94,428	4,085	-	-
Debt service	193,042	-	-	-
Capital projects	1,115,281	-	-	802,313
Total governmental activities	2,516,337	274,226	271,238	802,313
Business type activities:				
Water	266,048	265,538	-	-
Sewer	281,753	339,881	-	-
Total business type activities	547,801	605,419	-	-
Total	\$ 3,064,138	879,645	271,238	802,313
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted interest on investments				
Note proceeds				
Bank loan proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Water deposits				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(279,241)	-	(279,241)
(201,676)	-	(201,676)
(78,684)	-	(78,684)
(12,606)	-	(12,606)
(90,343)	-	(90,343)
(193,042)	-	(193,042)
(312,968)	-	(312,968)
(1,168,560)	-	(1,168,560)
-	(510)	(510)
-	58,128	58,128
-	57,618	57,618
(1,168,560)	57,618	(1,110,942)
559,095	-	559,095
101,008	-	101,008
32,201	-	32,201
92,262	-	92,262
18,340	-	18,340
2,385	-	2,385
360,000	-	360,000
19,400	-	19,400
17,770	-	17,770
1,202,461	-	1,202,461
33,901	57,618	91,519
907,009	163,139	1,070,148
\$ 940,910	220,757	1,161,667
\$ -	5,375	5,375
36,402	-	36,402
114,176	-	114,176
59,600	-	59,600
457,108	-	457,108
273,624	215,382	489,006
\$ 940,910	220,757	1,161,667

City of Lansing

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	Employee Benefit	Local Option Sales Tax
Receipts:			
Property tax	\$ 382,782	176,313	-
Tax increment financing	-	-	-
Other city tax	18,340	-	92,262
Licenses and permits	4,610	-	-
Use of money and property	95,320	-	-
Intergovernmental	2,483	-	-
Charges for service	169,017	-	-
Miscellaneous	26,687	-	-
Total receipts	699,239	176,313	92,262
Disbursements:			
Operating:			
Public safety	260,619	109,454	-
Public works	133,756	59,966	101,550
Culture and recreation	174,126	17,855	-
Community and economic development	11,490	-	-
General government	70,034	24,394	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	650,025	211,669	101,550
Excess (deficiency) of receipts over (under) disbursements	49,214	(35,356)	(9,288)
Other financing sources (uses):			
Note proceeds	-	-	-
Bank loan proceeds	19,400	-	-
Transfers in	35,596	2,119	-
Transfers out	(14,593)	-	-
Total other financing sources (uses)	40,403	2,119	-
Change in cash balances	89,617	(33,237)	(9,288)
Cash balances beginning of year	184,007	189,090	145,002
Cash balances end of year	\$ 273,624	155,853	135,714
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	155,853	135,714
Unassigned	273,624	-	-
Total cash basis fund balances	\$ 273,624	155,853	135,714

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	101,008	660,103
-	32,201	32,201
-	-	110,602
-	-	4,610
-	506	95,826
802,313	166,880	971,676
-	-	169,017
-	110,116	136,803
802,313	410,711	2,180,838
-	62,008	432,081
-	111,343	406,615
-	79,778	271,759
-	1,641	13,131
-	-	94,428
-	193,042	193,042
1,115,281	-	1,115,281
1,115,281	447,812	2,526,337
(312,968)	(37,101)	(345,499)
360,000	-	360,000
-	-	19,400
-	14,593	52,308
-	(37,715)	(52,308)
360,000	(23,122)	379,400
47,032	(60,223)	33,901
12,568	376,342	907,009
59,600	316,119	940,910
-	36,402	36,402
-	114,176	114,176
59,600	-	59,600
-	165,541	457,108
-	-	273,624
59,600	316,119	940,910



**City of Lansing**

City of Lansing

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

As of and for the year ended June 30, 2018

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 263,357	338,166	601,523
Miscellaneous	2,181	1,715	3,896
Total operating receipts	265,538	339,881	605,419
Operating disbursements:			
Business type activities	191,916	171,501	363,417
Excess of operating receipts over operating disbursements	73,622	168,380	242,002
Non-operating disbursements:			
Debt service	(72,220)	(110,252)	(182,472)
Capital outlay	(1,912)	-	(1,912)
Net non-operating disbursements	(74,132)	(110,252)	(184,384)
Change in cash balances	(510)	58,128	57,618
Cash balances beginning of year	31,608	131,531	163,139
Cash balances end of year	\$ 31,098	189,659	220,757
<b>Cash Basis Fund Balances</b>			
Water deposits	\$ 5,375	-	5,375
Unrestricted	25,723	189,659	215,382
Total cash basis fund balances	\$ 31,098	189,659	220,757

See notes to financial statements.

City of Lansing

Notes to Financial Statements

June 30, 2018

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

The City of Lansing is a political subdivision of the State of Iowa located in Allamakee County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lansing 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 Lansing (the primary government) and its component units. The Component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

These financial statements present the City of Lansing (the primary government) and its component units. The Component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Meehan Lansing Memorial Public Library, Inc. and the Lansing Fire Department, Inc. are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. These component units are reported as part of the City and blended into the Special Revenue Funds of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission, Allamakee County Joint E-911 Service Board, and Allamakee County Economic Development and Tourism Commission.

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 categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

The Employee Benefits Fund is used to account for the employee benefit property tax levy for the payment of General and Special Revenue, Road Use Tax Fund employee benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax and related construction projects authorized by local option sales tax resolution.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

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

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 exceeded the amounts budgeted in the public safety, public works and debt service functions. Disbursements also exceeded the amounts budgeted in the public safety and general government functions prior to approval of 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 Governmental Accounting Standards Board Statement No. 72.

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 158,000	33,316	120,000	46,885	278,000	80,201
2020	159,000	29,775	124,000	44,448	283,000	74,223
2021	165,000	25,691	128,000	41,927	293,000	67,618
2022	166,000	21,462	133,000	39,325	299,000	60,787
2023	171,000	16,791	137,000	36,623	308,000	53,414
2024-2028	365,000	24,848	682,000	140,143	1,047,000	164,991
2029-2033	-	-	600,000	72,177	600,000	72,177
2034-2037	-	-	448,000	19,897	448,000	19,897
Total	\$ 1,184,000	151,883	2,372,000	441,425	3,556,000	593,308

Revenue Bonds

On December 29, 2005, the City entered into a state revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$513,000 of water revenue bonds with interest at 3.00% per annum. On June 1, 2016, Iowa Finance Authority reduced the interest rate to 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal water system of the City. During the year ended June 30, 2018, the City paid principal of \$26,000 and interest of \$4,725 on the bonds. At June 30, 2018, the outstanding principal was \$244,000.

On December 30, 2011, the City entered into a state revolving loan and disbursement agreement with Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$600,870 of water revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal water system of the City. During the year ended June 30, 2018, the City paid principal of \$26,000 and interest of \$13,680 on the bonds. At June 30, 2018, the outstanding principal was \$430,000.

The resolutions providing for the issuance of water revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Net revenues of the utility will be collected in a sinking fund and applied to the payment of interest on each June 1 and Dec 1 and principal on June 1.
- (c) The rates and other charges shall be a least sufficient to meet the operation and maintenance expenses of the water system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue of bonds.

On September 6, 2007, the City entered into a state revolving loan and disbursement agreement with Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$2,312,000 of sewer revenue bonds with interest at 3.00% per annum. On December 1, 2017, Iowa Finance Authority reduced the interest rate to 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal sewer system of the City. During the year ended June 30, 2018, the City paid principal of \$64,000 and interest of \$41,847 on the bonds. At June 30, 2018, the outstanding principal was \$1,698,000.

The resolution providing for the issuance of sewer revenue bonds included the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The rents, rates and other charges shall be a least sufficient to meet the operation and maintenance expenses of the wastewater treatment system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

The City has not established rates at a level which produces net receipts of 110% of the annual principal and interest payments on the bonds. In addition, the City has not established a sinking fund.

### Loan Agreements

On August 10, 2016, the City entered into a bank loan for \$18,000 for a dump truck. The loan bears an interest rate of 2.85% per annum and matures June 1, 2030. The City began making semi-annual payments of \$6,269, including interest on December 15, 2016. The principal balance at June 30, 2018 was \$6,143.

On August 30, 2016 the City entered into a bank loan for \$39,934 to purchase fire equipment. The loan bears a variable interest at 4.20% per annum and matures on July 15, 2020. The interest rate is equal to the prime in effect plus 0.700 percentage points. The City began making annual principal payments of \$10,000, including interest on July 15, 2017. The principal balance at June 30, 2018 was \$31,614.

On May 18, 2018, the City entered into a bank loan for \$19,400 to purchase a 2018 Dodge Durango police vehicle. The loan bears an interest rate of 3.25% per annum and matures on May 18, 2023.

#### **(4) Pension Plan**

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55. 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 \$31,046.

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 \$150,392 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 0.002258%, which was an increase of 0.000105% 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 \$20,687, \$54,818 and \$30,180, 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.

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	\$ 247,786	150,392	68,563

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

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, 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	\$ 5,600
Sick leave	8,400
Compensatory time	3,900
Total	<u>\$ 17,900</u>

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

**(6) 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:	
	City Project Fund	\$ 8,195
	Meehan Lansing Memorial Public Library	<u>27,401</u>
		35,596
Special Revenue:	General	5,000
	Lansing Fire Dept.	9,593
		<u>14,593</u>
Employee Benefit	Special Revenue: Meehan Lansing Memorial Public Library	<u>2,119</u>
Total		<u>\$ 52,308</u>

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

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$977,304 during the year ended June 30, 2018. The transactions were competitively bid.

**(8) 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.

**(9) Development Agreement**

The City has entered into a development agreement with Knolls Subdivision, LLC (developer) to assist in paying the cost of constructing certain public improvements related to the development of a housing subdivision. The City agreed to pay the developer an amount not to exceed \$105,000. The agreement requires semi-annual payments for up to eleven years, or until such earlier date upon which total payments in the amount of \$105,000 have been made, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2018, the City rebated \$1,581 of incremental property tax to the developer. At June 30, 2018, the remaining balance to be paid on the agreement was \$35,877. The developer payments shall not constitute general obligations of the City but shall be made solely and only from incremental property tax revenues received by the City.

**(10) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$904 of property tax under the urban renewal and economic development agreements.

**(11) Subsequent Events**

In January 2019, the City issued \$200,000 of general obligation improvement notes for the Marina. The note is payable in ten annual installments with a final maturity on June 1, 2029.

**City of Lansing**

## **Other Information**

City of Lansing  
 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
Receipts:			
Property tax	\$ 660,103	-	-
Tax increment financing	32,201	-	-
Other city tax	110,602	-	-
Licenses and permits	4,610	-	-
Use of money and property	95,826	-	58
Intergovernmental	971,676	-	37,985
Charges for service	169,017	601,523	-
Special assessments	-	-	-
Miscellaneous	136,803	3,896	56,242
Total receipts	2,180,838	605,419	94,285
Disbursements:			
Public safety	432,081	-	62,008
Public works	406,615	-	-
Culture and recreation	271,759	-	-
Community and economic development	13,131	-	-
General government	94,428	-	-
Debt service	193,042	-	10,000
Capital projects	1,115,281	-	-
Business type activities	-	547,801	-
Total disbursements	2,526,337	547,801	72,008
Excess (deficiency) of receipts over (under) disbursements	(345,499)	57,618	22,277
Other financing sources, net	379,400	-	(19,927)
Excess of receipts and other financing sources over disbursements and other financing uses	33,901	57,618	2,350
Balances beginning of year	907,009	163,139	69,343
Balances end of year	\$ 940,910	220,757	71,693

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
660,103	629,827	631,154	28,949
32,201	25,000	25,000	7,201
110,602	151,292	144,500	(33,898)
4,610	5,450	5,450	(840)
95,768	104,000	104,210	(8,442)
933,691	1,084,569	1,199,423	(265,732)
770,540	816,760	824,950	(54,410)
-	100	3,200	(3,200)
84,457	19,750	32,010	52,447
<u>2,691,972</u>	<u>2,836,748</u>	<u>2,969,897</u>	<u>(277,925)</u>
370,073	292,411	360,931	(9,142)
406,615	395,293	400,785	(5,830)
271,759	241,815	320,070	48,311
13,131	16,000	15,750	2,619
94,428	110,865	111,080	16,652
183,042	170,995	181,995	(1,047)
1,115,281	1,200,000	1,200,500	85,219
547,801	609,160	625,550	77,749
<u>3,002,130</u>	<u>3,036,539</u>	<u>3,216,661</u>	<u>214,531</u>
(310,158)	(199,791)	(246,764)	(63,394)
399,327	250,000	610,000	(210,673)
89,169	50,209	363,236	(274,067)
1,000,805	783,692	783,692	217,113
<u>1,089,974</u>	<u>833,901</u>	<u>1,146,928</u>	<u>(56,954)</u>

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City of Lansing

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$180,122. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the public safety, public works and debt service functions. Disbursements also exceeded the amounts budgeted in the public safety and general government functions prior to approval of the budget amendment.

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City of Lansing

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

Iowa Public Employees' Retirement System  
For the Last Two Years\*

Other Information

	2018	2017
City's proportion of the net pension liability	0.002258%	0.002153%
City's proportionate share of the net pension liability	\$ 150,392	135,486
City's covered payroll	\$ 330,308	280,721
City's proportionate share of the net pension liability as a percentage of its covered payroll	45.53%	48.26%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%

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

See accompanying independent auditor's report.

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City of Lansing

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Three Years

Other Information

	2018	2017	2016
Statutorily required contribution	\$ 31,046	30,915	26,217
Contributions in relation to the statutorily required contribution	(31,046)	(30,915)	(26,217)
Contribution deficiency (excess)	\$ -	-	-
City's covered payroll	\$ 333,197	330,308	280,721
Contributions as a percentage of covered payroll	9.32%	9.36%	9.34%

See accompanying independent auditor's report.

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

City of Lansing

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

There were no significant changes in benefit terms.

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%.

**City of Lansing**

## **Supplementary Information**

City of Lansing

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

As of and for the year ended June 30, 2018

	Special Revenue		
	Road	Urban	
	Use Tax	Renewal	FEMA
Receipts:			
Property tax	\$ -	-	-
Tax increment financing	-	32,201	-
Use of money and property	-	-	-
Intergovernmental	127,498	-	1,397
Miscellaneous	-	-	-
Total receipts	<u>127,498</u>	<u>32,201</u>	<u>1,397</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	111,343	-	-
Cultures and recreation	-	-	-
Community and economic development	-	1,581	-
Debt service	-	-	-
Total disbursements	<u>111,343</u>	<u>1,581</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>16,155</u>	<u>30,620</u>	<u>1,397</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	16,155	30,620	1,397
Cash balances beginning of year	<u>20,247</u>	<u>34,334</u>	<u>14,389</u>
Cash balances end of year	<u>\$ 36,402</u>	<u>64,954</u>	<u>15,786</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ 36,402	-	-
Debt service	-	64,954	-
Other purposes	-	-	15,786
Total cash basis fund balances	<u>\$ 36,402</u>	<u>64,954</u>	<u>15,786</u>

See accompanying independent auditor's report.

Meehan Lansing Memorial Public Library	Lansing Fire Department	City Project Fund	Debt Service	Total
-	-	-	101,008	101,008
-	-	-	-	32,201
33	25	448	-	506
18,392	19,593	-	-	166,880
5,590	50,652	53,874	-	110,116
24,015	70,270	54,322	101,008	410,711
-	62,008	-	-	62,008
-	-	-	-	111,343
-	-	79,778	-	79,778
-	-	60	-	1,641
-	10,000	-	183,042	193,042
-	72,008	79,838	183,042	447,812
24,015	(1,738)	(25,516)	(82,034)	(37,101)
-	9,593	5,000	-	14,593
(29,520)	-	(8,195)	-	(37,715)
(29,520)	9,593	(3,195)	-	(23,122)
(5,505)	7,855	(28,711)	(82,034)	(60,223)
57,068	12,275	106,773	131,256	376,342
51,563	20,130	78,062	49,222	316,119
-	-	-	-	36,402
-	-	-	49,222	114,176
51,563	20,130	78,062	-	165,541
51,563	20,130	78,062	49,222	316,119



City of Lansing  
Schedule of Indebtedness  
Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Corporate purpose refunding, series 2011	Jul 20, 2011	0.70-4.00%	\$ 1,100,000
Marina	May 1, 2008	4.00-4.50	200,000
Corporate purpose - Clear Creek	Aug 3, 2016	1.75	300,000
Bridge improvement	Aug 23, 2017	2.49	360,000
Total			
Revenue bonds:			
Water revenue bond, series 2005	Dec 29, 2005	1.75% *	\$ 513,000
Sewer revenue bond, series 2007	Sep 6, 2007	1.75 *	2,312,000
Water revenue bond, series 2011	Dec 30, 2011	3.00 *	600,870
Total			
Bank Loans:			
Dump truck	Aug 10, 2016	2.85%	\$ 18,000
Fire department suits	Aug 30, 2016	4.20 **	39,934
Durango police vehicle	May 18, 2018	3.25	19,400

\* This agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

\*\*

Initial variable interest rate on this note was 4.20% per annum. This rate is to change on Aug 31, 2016, and every day thereafter. Lender will calculate the new interest rate based on Prime in effect on the change date plus 0.700 percentage.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
680,000	-	75,000	605,000	22,195	-
25,000	-	25,000	-	1,125	-
260,000	-	41,000	219,000	4,550	-
-	360,000	-	360,000	7,072	-
<b>\$ 965,000</b>	<b>360,000</b>	<b>141,000</b>	<b>1,184,000</b>	<b>34,942</b>	<b>-</b>
270,000	-	26,000	244,000	4,725	-
1,762,000	-	64,000	1,698,000	41,847	-
456,000	-	26,000	430,000	13,680	-
<b>\$ 2,488,000</b>	<b>-</b>	<b>116,000</b>	<b>2,372,000</b>	<b>60,252</b>	<b>-</b>
12,117	-	5,974	6,143	295	-
39,934	-	8,320	31,614	1,680	-
-	19,400	-	19,400	-	-
<b>\$ 52,051</b>	<b>-</b>	<b>14,294</b>	<b>57,157</b>	<b>1,975</b>	<b>-</b>

City of Lansing  
Bond and Note Maturities  
June 30, 2018

Year Ending June 30,	General Obligation Bonds		General Obligation Notes				Total
	Corporate Purpose Refunding		Clerk Creek		Bridge Improvement		
	Issued Jul 20, 2011		Issued Aug 3, 2016		Issued Aug 23, 2017		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2019	2.40%	\$ 80,000	1.75%	\$ 42,000	2.49%	\$ 36,000	158,000
2020	3.00	80,000	1.75	43,000	2.49	36,000	159,000
2021	3.00	85,000	1.75	44,000	2.49	36,000	165,000
2022	3.50	85,000	1.75	45,000	2.49	36,000	166,000
2023	3.50	90,000	1.75	45,000	2.49	36,000	171,000
2024	4.00	90,000		-	2.49	36,000	126,000
2025	4.00	95,000		-	2.49	36,000	131,000
2026		-		-	2.49	36,000	36,000
2027		-		-	2.49	36,000	36,000
2028		-		-	2.49	36,000	36,000
2029		-		-		-	-
2030		-		-		-	-
2031		-		-		-	-
2032		-		-		-	-
2033		-		-		-	-
2034		-		-		-	-
2035		-		-		-	-
2036		-		-		-	-
2037		-		-		-	-
Total		<u>\$ 605,000</u>		<u>\$ 219,000</u>		<u>\$ 360,000</u>	<u>1,184,000</u>

See accompanying independent auditor's report.

## Revenue Notes

Water				Sewer		
Issued Dec 29, 2005		Issued Dec 30, 2011		Issued Sep 6, 2007		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
1.75% \$	27,000	3.00% \$	27,000	1.75% \$	66,000	120,000
1.75	28,000	3.00	28,000	1.75	68,000	124,000
1.75	29,000	3.00	29,000	1.75	70,000	128,000
1.75	30,000	3.00	30,000	1.75	73,000	133,000
1.75	31,000	3.00	31,000	1.75	75,000	137,000
1.75	32,000	3.00	32,000	1.75	77,000	141,000
1.75	33,000	3.00	33,000	1.75	80,000	146,000
1.75	34,000	3.00	34,000	1.75	83,000	151,000
	-	3.00	35,000	1.75	85,000	120,000
	-	3.00	36,000	1.75	88,000	124,000
	-	3.00	37,000	1.75	91,000	128,000
	-	3.00	38,000	1.75	94,000	132,000
	-	3.00	40,000	1.75	97,000	137,000
	-		-	1.75	100,000	100,000
	-		-	1.75	103,000	103,000
	-		-	1.75	107,000	107,000
	-		-	1.75	110,000	110,000
	-		-	1.75	114,000	114,000
	-		-	1.75	117,000	117,000
	-		-			
	<u>\$ 244,000</u>		<u>\$ 430,000</u>		<u>\$ 1,698,000</u>	<u>2,372,000</u>

**City of Lansing**

City of Lansing  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	15-WS-027	\$ 484
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-4205(603)--8J-03	874,584
Total			<u>\$ 875,068</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Lansing under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lansing, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Lansing.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – The City of Lansing has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lansing, 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 December 13, 2019. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Lansing's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-18 through II-C-18 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-18 and II-N-18 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lansing'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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

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.

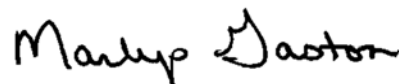
#### The City of Lansing's Responses to the Findings

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

#### Purpose of this Report

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

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



Marlys K. Gaston, CPA  
Deputy Auditor of State

December 13, 2019





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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Lansing, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Lansing's major federal program for the year ended June 30, 2018. The City of Lansing's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Lansing's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lansing's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Lansing's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Lansing complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

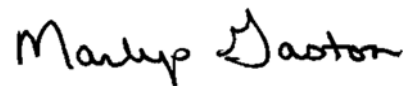
## Report on Internal Control Over Compliance

The management of the City of Lansing is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lansing's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lansing's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marlys K. Gaston, CPA  
Deputy Auditor of State

December 13, 2019

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part I: Summary of the Independent Auditor's Results:**

- (a) The financial statements were prepared on the basis of cash receipts and disbursements which is a basis of accounting other than generally accepted accounting principles. Qualified opinions were issued on the government activities, the business type activities, each major fund of the aggregate remaining information since we were unable to satisfy ourselves as the distribution by fund of the total fund balance of July 1, 2017.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction Cluster: Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Lansing did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-18 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 – One individual in the City has control over the following areas for which no compensating controls exists:

- (1) Accounting system – performing all accounting.
- (2) Cash – handling, reconciling and recording.
- (3) Petty cash/change fund – handling petty cash, collecting and depositing.
- (4) Investments – recordkeeping, investing and reconciling earnings.
- (5) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – recordkeeping, preparing and distributing.
- (8) Utilities – billing, collecting, depositing and posting.
- (9) Journal entries – preparing and recording.
- (10) Long-term debt – maintaining records, recording and reconciling.

For the Lansing Fire Department, Inc. one individual has control over each of the following areas:

- (1) Cash – initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and recording.
- (3) Disbursements – invoice processing, check writing, mailing, recording and reconciling.

For the Meehan Lansing Memorial Public Library account, one individual has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and recording.

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

- (3) Disbursements – invoice processing, check writing, mailing, recording and reconciling.

Cause – The City, the Fire Department, Inc. and the Library 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 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 – The City, the Fire Department, Inc. and the Meehan Lansing Memorial Public Library should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations, financial reports and transactions should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

City – The City will examine ways to increase segregation of duties and increase internal control. With a limited number of City staff, segregation of duties is sometimes difficult. The City Council is aware of the lack of segregation of duties and has considered alternatives to improve the situation. The City Council is monitoring the situation and will segregate accounting duties where practical.

Fire Department, Inc. – The Fire Department, Inc. will examine ways to increase segregation of duties and increase internal control of the Fire Department, Inc. financial matters. With a limited number of Fire Department, Inc. and City staff, segregation of duties is sometimes difficult. The Fire Department, Inc. and the City Council are aware of the lack of segregation of duties and have considered alternatives to improve the situation. The Fire Department, Inc. and the City Council are monitoring the situation and will segregate accounting duties where practical.

The Council will develop a written policy for oversight of Fire Department, Inc. financial matters. The City Council shall be responsible for reviewing monthly bank account statements. Prior to approval of any monthly Fire Department, Inc. bill payments, the Council must approve disbursements, payments, claims, etc. Independent reviews of reconciliations will be documented by the signature or initials of the reviewers and the date of the review.

Library – The City will examine ways to increase segregation of duties and increase internal control of the Meehan Lansing Memorial Public Library financial matters. With a limited number of City staff, segregation of duties is sometimes difficult. The Council is aware of the lack of segregation of duties and has considered alternatives to improve the situation. The City Council is monitoring the situation and will segregate accounting duties where practical.

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

The Council will develop a written policy for oversight of the Meehan Lansing Memorial Public Library financial matters. The City Council shall be responsible for reviewing monthly bank account statements. Prior to approval of any monthly bill payments, the Council must approve disbursements, payments, claims, etc. Independent reviews of reconciliations will be documented by the signature or initials of the reviewers and the date of the review.

Conclusion – Responses accepted.

II-B-18 Journal Entries and Transfers

Criteria – Supporting documentation for all journal entries and transfers documents the accuracy and proper authorization for the entries and transfers and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – For two of the four journal entries tested, supporting documentation was not maintained and there was no documentation of independent review and approval. Transfers were not always approved by the City Council prior to the actual transfer.

Cause – Policies and procedures have not been established to require journal entries to be properly supported or to document the review and approval of journal entries. Procedures are not in place to ensure all transfers between funds are properly approved prior to making the transfers.

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

Recommendation – Journal entries and transfers should be supported. All journal entries should be reviewed by an independent person. The City Council should approve all transfers not authorized in the budget prior to the transfers being made.

Response – Journal entries and transfers will be supported and support will be provided to the City Clerk for approval. The City Council will approve all transfers not authorized in the budget and will also review and approve closing procedures.

Conclusion – Response acknowledged. Journal entries should be reviewed by someone with no access to assets and independent of financial records.

II-C-18 Reconciliation of Utility Billings, Collections and Delinquent Accounts and Account Write-offs

Criteria – An effective internal control system provides for controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Condition – Although a reconciliation of utility billings, collections and delinquent accounts is prepared, the reconciliation tested had errors which had not been investigated and resolved. In addition, written documentation of the independent approval of accounts receivable written off as uncollectable is not maintained.

Cause – Policies have not been established and procedures have not been implemented to ensure variances on utility reconciliations are adequately resolved and documentation of independent approval of accounts receivable written off is maintained.

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

Recommendation – Procedures should be established to ensure reconciliations are accurate and variances are resolved. The City Council or other independent person designated by the Council should review the reconciliations and document the review by signing or initialing and dating the reconciliation and should approve all account write-offs prior to writing them off.

Response – Procedures will be established to ensure reconciliations are accurate and variances are resolved. The City Clerk will review the reconciliations and document the review by signing or initialing and dating the reconciliation along with and delinquent accounts receivables written off.

Conclusion – Response accepted.

II-D-18 Computer System

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

Condition – The City does not have written policies or procedures for:

- \* Password privacy and confidentiality.
- \* Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- \* Requiring use of strong passwords.
- \* Ensuring only software licensed to the City is installed on computers.
- \* Usage of the internet.
- \* Requiring the use of anti-virus program on computers.

Also, the City does not have a written disaster recovery plan.

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

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Effect – Lack of written policies for the computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information. 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 written policies addressing the above items in order to improve the City’s control over its computer system. A written disaster recovery plan should also be developed.

Response – The City will develop written policies addressing the above items in order to improve the City’s control over its computer system. A written disaster recovery plan will also be developed.

Conclusion – Response accepted.

II-E-18 Pay Rate Approval

Criteria — An effective internal control system provides for controls related to the processing and approval of payroll for all City employees. City Council approval of salaries, and documentation of that approval, can help ensure proper payment of payroll expenses.

Condition – The City Clerk’s pay rate was approved as a percentage increase. The base rate of pay could not be located in the City Council minutes.

Cause – The City did not understand the potential effects of approving a percentage increase rather than actual rates of pay.

Effect – Approving percentage increases without documenting the approved rates of pay could result in unauthorized pay and the opportunity for misappropriation.

Recommendation – Approved salaries and/or pay rates of all employees should be adequately documented in the City Council minutes or minutes of the governing board.

Response – Approved salaries or pay rates of all employees will be adequately documented in the City Council minutes or minutes of the governing board.

Conclusion – Response accepted.

II-F-18 Timesheets

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

Condition – While City employees prepare timesheets, the timesheets are not reviewed and approved by supervisory personnel.



City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

Effect – Lack of a documented supervisory review process increases the probability of staff errors in recording hours or leave will go undetected.

Recommendation – The timesheets should be signed by the employee and their supervisor prior to submission. The timesheets should support all hours worked and taken as leave.

Response – Timesheets will be signed by employee and supervisor. The City Clerk's timesheet will be signed by Deputy Clerk. The Police Chief and Street Superintendent timesheets will be signed by the City Clerk.

Conclusion – Response accepted.

II-G-18 Post Dating Checks

Criteria – Checks should be provided to vendors in a timely manner after the check is prepared.

Condition – In August 2018, the City issued a check for \$6,138 with a date of June 30, 2018. Per discussion with City staff, this was done in order to include the expenditure in the fiscal year ending June 30, 2018 budget.

Cause – Policies have not been established and procedures have not been implemented restrict the postdating of transactions.

Effect – The disbursement was not accurately reported in the City's financial statements resulting in an overstatement of fiscal year 2018 disbursements. The error was corrected for financial reporting purposes.

Recommendation – Policies should be established and procedures implemented to ensure transactions are posted to the accounting system using the current date.

Response – The City will not post date checks and all transactions will be posted to the accounting system using the current date.

Conclusion – Response accepted.

II-H-18 Advance Signing of Checks

Criteria – Checks written on the City's bank account require the signature of the City Clerk.

Condition – The City Clerk is the only authorized check signer on the City's bank account. Therefore, during expected absences of the City Clerk, checks are signed in advance.

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Cause – Policies have not been established and procedures have not been implemented to prohibit the advance signing of checks.

Effect – Signing checks without documentation could result in unauthorized expenditures and the opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure checks are not signed in advance. Check should only be signed when supporting documentation is available and the disbursement has been properly approved.

Response – The City will ensure checks are not signed in advance. Checks will be signed when supporting documents have been reviewed by a City Council member.

Conclusion – Response accepted.

II-I-18 Monthly City Clerk's Report

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

Condition – The City Clerk's monthly financial reports to the City Council included beginning and ending balances and monthly receipts and disbursements. However, the reports did not include transfers between funds or a comparison of actual to budgeted disbursements by function.

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

Effect – The City Council is not provided with complete financial information on a monthly basis, including transfers and a comparison of actual to budgeted disbursements, which is needed to make informed decisions regarding the City.

Recommendation – To provide better financial information, the monthly reports should include transfers and actual year-to-date disbursements by function compared with budgeted disbursements by function.

Response – Monthly reports provided to the City Council will include transfers and actual year-to-date disbursements by function compared with budgeted disbursements by function.

Conclusion – Response accepted.

II-J-18 Fire Department Debit Cards

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.

City of Lansing

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Condition – The Fire Department has debit cards available for use by volunteers while on Department business. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. Also, there is no process for prior approval of purchases made with a debit card.

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

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

Recommendation – The City Council should prohibit the use of debit cards for all City purchases, including purchases by the Fire Department.

Response – The Council intends to discontinue the use of debit cards and will implement a credit card program. All cardholders who use the card must submit a receipt for the purchase. The Treasurer reviews and verifies all receipts, and purchase documentation for payment processing. The City Clerk provides the City Council with billing statements and all purchase receipts, and makes recommendations to the City Council for approval, disallowance, or further action. If the City Council approves purchase and payment, the City Clerk will process the payment.

Conclusion – Response accepted.

II-K-18 Fire Department 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 supporting documentation.

Condition – The Fire Department did not retain supporting documentation for disbursements.

Cause – The Fire Department has not implemented procedures to ensure proper supporting documentation is maintained for all disbursements.

Effect – Lack of proper supporting documentation could result in unauthorized or improper transactions and the opportunity for misappropriation.

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

Response – All disbursements authorized by the Council on behalf of the Fire Department shall require supporting documentation, for example receipts and invoices. The City shall retain copies of all disbursement supporting documentation for 10 years from the date of disbursement.

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Conclusion – Response accepted.

II-L-18 Bank Reconciliations – Library and Fire Department, Inc. Accounts

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 to book balance. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the Meehan Lansing Memorial Public Library’s monthly financial reports. However, the monthly bank reconciliations are not reviewed and approved by an independent person.

In addition, the Lansing Fire Department, Inc. has not been preparing monthly bank to book reconciliations.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete reconciliation of all accounts to the monthly financial reports for the Fire Department, Inc. or to require the bank reconciliations be reviewed by an independent person.

Effect – Lack of performing and maintaining bank reconciliations and lack of review by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Public Library and Lansing Fire Department, Inc. should establish procedures to ensure bank balances for all activity are reconciled to book balances monthly. Variances, if any should be reviewed and resolved timely. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – The Public Library and the Fire Department, Inc. will establish procedures to ensure bank balances for all activity are included in the financial reports and reconciled monthly. Variances will be reviewed and resolved timely. The City Council will review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations for the Library and Fire Department, Inc. Accounts.

Conclusion – Response accepted.

II-M-18 Annual Financial Report

Criteria – An effective internal control system provides for internal controls related to the accurate preparation and reporting of financial information.

Condition – The Annual Financial Report (AFR) submitted for the fiscal year ending June 30, 2018 reported the activity and fund balance for the Special Revenue, City Project Fund as a Permanent Fund. However, the source of funds did not meet the definition of a Permanent Fund. Specific revenue sources restricted or committed to expenditure for specified purposes should be reported as Special Revenue Funds. This was subsequently corrected for financial reporting purposes.

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Cause – Policies have not been established and procedures have not been implemented ensure all amounts in the AFR are properly reported.

Effect – The AFR does not accurately reflect the City’s financial activity for the fiscal year ending June 30, 2018.

Recommendation – The City Council should ensure all amounts on the AFR are accurately reported.

Response – The City has changed Fund 500 classification to a Special Revenue Fund.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

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

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public safety, public works and debt service functions. Disbursements also exceeded the amounts budgeted in the public safety and general government functions prior to approval of the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-18 Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements are noted which we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
City of Lansing disbursements:		
Kee High School Fund	Donation to scholarship fund	\$ 250
Post Prom Committee	Donation for after prom event	100
Helping Services for Northeast Iowa	Donation	250
Lansing Lions Club	Donation for Fish Days event	1,250
Fire Department, Inc. disbursements: *		
Red Geranium Floral	Memorials for fire fighters and family	\$ 536
Red Geranium Floral	Door prizes for holiday party	345
LSCO Massage and Well	Gift card for holiday party	30
Made For You Furniture	Door prizes for holiday party	63
Safe House and Saloon	Gift card for holiday party	40
Sheps Riverside Bar	Gift card for holiday party	40
Milty's Restraunt & Bar	Gift card for holiday party	50
Nutmegs Café and Bakery LLC	Gift card for holiday party	50
Espresso	Gift card for holiday party	50
Main Channel Grill	Gift card for holiday party	45
TJ's Banquet Hall	Rental and catering for holiday party	4,377
Kee High Post Prom	Donation	100
Kee High Scholarship Fund	Donation	750

\* Because public funds are commingled with private funds in the Fire Department, Inc. account, there is no clear way to differentiate the two. The public purpose criteria apply to all the commingled funds.

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According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – The City will comply with this recommendation.

Conclusion – Response accepted.

IV-C-18 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-18 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brennan Construction, Owned by Martin Brennan, Brother of Mike Brennan, Mayor	Construction, per bid	\$ 977,304

The transaction with Brennan Construction does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-E-18 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.

IV-F-18 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

For one of the four City Council meeting minutes tested, the proceedings were not published as required by Chapter 372.13(6) of the Code of Iowa. Also, for one of the four publications tested, the City did not publish a list of claims allowed, as required.

Recommendation – The City should publish all minutes, including a list of claims allowed, as required.

Response – All minutes will be published.

Conclusion – Response acknowledged. The City should also publish lists of all claims allowed, as required.



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IV-G-18 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.

IV-H-18 Revenue Bonds – The South Town water revenue bond resolution requires water user rates be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year. During the year ending June 30, 2018, the City was not in compliance with the net receipts requirement of the water revenue bond resolution.

In addition, both the Mt. Hosmer and South Town water revenue bond resolutions require a water revenue sinking fund be established in which the bond is payable from net revenues of the utility.

Recommendation – The City should comply with the bond resolution by establishing water user rates at a level which produces net receipts of 110% of the annual principal and interest payments on the bonds. In addition, the City should establish a sinking fund as required by the bond resolutions.

Response – The City will comply with the bond resolution by establishing water user rates at a level which produces net receipts of 110% of the annual principal and interest payments on the bonds. In addition, the City will establish and use a sinking fund as required by the bond resolutions.

Conclusion – Response accepted.

IV-I-18 Senior Discount – Chapter 388.6 of the Code of Iowa states, “A city utility of combined utility system may not provide use or service at a discriminatory rate, except to the City or its agencies, as provided in Chapter 384.91.” The City provided discounts on solid waste service rates to residential customers over age sixty-two.

Recommendation – The City is required to establish and apply consistent billing rates to certain types of customers, such as residential or commercial. The City Council should implement procedures which ensure nondiscriminatory solid waste rates are used for all customers.

Response – Discounts have been removed.

Conclusion – Response accepted.

IV-J-18 Solid Waste Rates – Solid waste rates were not approved by ordinance as required by Chapter 384.84 of the Code of Iowa.

Recommendation – The City should establish all utility rates by ordinance as required by Chapter 384.84 of the Code of Iowa.

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Response – All utility rates will be approved by ordinance.

Conclusion – Response accepted.

- IV-K-18 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in the manner to include an image of both the front and back of each cancelled check. The City and the Meehan Memorial Lansing Public Library do not retain electronic images of the back of cancelled checks.

Recommendation – The City and the Meehan Lansing Public Library should retain an image of both the front and back of each cancelled check as required.

Response – The City will check with the bank and ensure all electronic images are available.

Conclusion – Response accepted.

- IV-L-18 Meehan Lansing Memorial Public Library – The Meehan Lansing Memorial Public Library Association, Inc. (Library Association) is a private non-profit corporation. However, the Library Association’s bank account is in the City’s name and the City receives the monthly bank statements. The City does not maintain control of the account, including approving disbursements from the account, and the account activity is not reflected in the City’s records or reported to the City Council. The activity in the account consists of receipts from the County, donations, interest earned and reimbursements to the City. During the year ended June 30, 2018, the City funded \$16,286 of the Library Association’s disbursements which were not reimbursed and allowed \$1,583 of state aid payments (i.e. City funds) to be deposited into the account.

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

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

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

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

A 28E agreement, as described in the advice letter does not exist.

Recommendation – We are not aware of any statutory authority for the City to relinquish its fiduciary responsibility over its public funds to a separate non-profit organization. The City should take immediate control of the bank account which is in the City's name and which holds funds belonging to the City. In compliance with Chapter 384.20 of the Code of Iowa, financial activity and balance of this account should be included in the City's accounting records and reported to the City Council on a monthly basis.

Response – The City shall review the relationship between the Library Board of Trustees and the Meehan Memorial Public Library Association and if necessary take action to seek control of the Meehan Memorial Public Library Association's bank account that is in the name of the City. The City will seek to have the financial activity and balance of this account included in the City's accounting records and reported to the City Council on a monthly basis. The City will encourage the Meehan Memorial Public Library Association to open a separate account under its own name using its own Federal Tax Identification Number.

Conclusion – Response accepted.

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IV-M-18 Lansing Fire Department

Background:

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, "A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits." The City has established a City Fire Department under the City's Code of Ordinances and has appointed a Fire Chief to head this Department.

Chapter 359.42 of the Code of Iowa requires townships to provide fire protection for the township and Chapter 359.43 allows the township trustees to levy an annual tax for the purpose of exercising its fire protection duties. Chapter 359.42 also allows the township trustees to "contract with a public or private agency under Chapter 28E of the Code of Iowa for the purpose of providing any service or system required or authorized under this section."

The Lansing Fire Department, Inc. (Non-profit Fire Department) is a private non-profit organization whose purpose, as set out in its articles of incorporation, is to "provide for the protection of persons and property from fire; the prevention of fire by the use of precautionary means and methods and by united efforts to educate the inhabitants of the City of Lansing and vicinity to adopt and recognize safety measures to avoid fire; the study of modern ways and means of efficiently combatting and fighting fire; and the operation as a fire company under the control of the corporate authorities of the City of Lansing, Iowa, and the statutes of the State of Iowa." The City's Fire Chief has authority over the non-profit organization.

On July 2, 1962, the City entered into a Fire Protection Agreement with the Rural Fire Protection District. This agreement indicates the Rural Fire Protection District was formed with authority to levy taxes and provide for the purchase of fire equipment and fire protection whereas the City of Lansing has organized and established the Volunteer Fire Department with trained personnel available to operate firefighting equipment and possess established facilities for the housing and care of fire protection.

We noted the following regarding the City's fire protection services:

- (1) Based on a review of the activity of the Non-profit Fire Department bank account, it appears fire protection services are being provided by the Non-profit Fire Department and costs associated with the service run primarily through that account. According to City personnel, most of the fire equipment and the building housing the equipment and the Non-profit Fire Department are owned by the City (however, see (4) below) and the City pays the utilities for the building and related expenses such as gas and insurance for the trucks. However, the Non-profit Fire Department invoices the City for the cost of equipment and other items purchased and for training salaries of the Non-profit Fire Department members. There is no formal, written agreement between the City and Non-profit Fire Department identifying the terms and conditions under which the Non-profit Fire

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Department is to provide service or the City's responsibilities under the arrangement. It is also unclear whether the City provides oversight to ensure City funds (i.e., public funds) provided to the Non-profit Fire Department are properly used to accomplish the intended purposes. In accordance with a letter of advice our office received from the Iowa Attorney General (see item (L) above), the funds provided to the Non-profit Fire Department continue to be "public funds" subject to the deposit and investment standards of the Iowa Code and subject to the public purpose criteria set out in Article III, Section 31 of the Iowa Constitution.

- (2) Organizations established as 501(c)(3) non-profit corporations are typically created to further charitable pursuits, not to provide a service or act as a vendor in providing a service such as fire protection. Legally separate non-profit fire associations typically exist to support a City government in carrying out its responsibility to provide fire protection. These non-profit associations provide this support by holding various fund raisers and collecting donations to help provide funds to purchase equipment and other items needed by the City to carry out its duties. Funds in these situations flow from the non-profit organization to the City in compliance with the Iowa Constitution which prohibits public funds from being provided to private, non-profit organizations.

The arrangement the City has with the Non-profit Fire Department to provide fire protection services, and not just to support the City in providing that service, is unusual. It is unclear whether a non-profit organization can be established for the noted purpose or whether the non-profit organization is afforded the same legal immunities in providing the service as a government is. In addition, the City's Fire Chief is in charge of the Non-profit Fire Department, making the lines of authority and responsibilities of the Non-profit Fire Department and the City unclear.

- (3) The City was unable to provide documentation as to how the Rural Fire Protection District was established. The District does not appear to be organized as a non-profit organization and no documents could be located by the Townships or the City to indicate its establishment as a 28E organization or a benefited fire district. Also, the City's agreement with the District states "The title to all wheeled equipment will be held by and be in the name of the Lansing Rural Fire Protection District." This is inconsistent with our discussions with City personnel who indicated the City owns most of the fire equipment, including the fire trucks, and pays the insurance to cover them. It is unclear what the District's role is in providing fire services for the City.

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- (4) The area Townships levy property tax in accordance with Chapter 359.43 of the Code of Iowa to provide for fire service within the Townships. According to City personnel and based on a review of the activity in the Non-profit Fire Department bank account, the Township Trustees remit the property tax dollars to the Lansing Rural Fire Protection District. The Rural Fire Protection District then remits the tax dollars to the Non-profit Fire Department. Again, we were unable to determine how the Lansing Rural Fire Protection District was established or its intended role in providing fire protection. There appears to be no statutory authority under which the Townships are allowed to provide public funds to this organization.

Recommendation – The City should consult legal counsel to determine the validity of the City’s arrangement with the Non-profit Fire Department, a 501(c)(3) non-profit organization, to provide fire protection services, including whether the organization has the proper legal immunities for providing service, i.e., those same immunities afforded a government providing fire protection services, and under what authority the City provides funding to a private non-profit organization. If the arrangement is proper, the City should enter into a formal, written agreement with the Non-profit Fire Department to clearly identify the roles and responsibilities of each party to the agreement.

The City should also work with legal counsel to determine how the Rural Fire Protection District was organized and to clarify this organization’s role in providing fire service to the City and/or the Townships, including the propriety of Townships turning property tax dollars over to the organization.

Response – The City will consult with legal counsel and review the relationship between the City and the non-profit fire department for the provision of fire protection services and will also review its relationship with the Rural Fire Protection District.

Conclusion – Response accepted.

IV-N-18 Fire Department Wage Reporting

Fire Department Officers receive a monthly salary. Per discussion with the Fire Chief, no payroll taxes are withheld or reported for his or his Officer’s pay.

Recommendation – The Fire Department should contact the IRS to resolve this matter. The City should withhold appropriate taxes on wages and the required wage reporting forms should be prepared, submitted and copies retained by the Fire Department.

Response – The City will contact the IRS to resolve this matter.

Conclusion – Response accepted.

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IV-O-18 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

Based on a review of the TIF reconciliation provided to the City by the County Auditor, the City has over certified TIF Debt by \$9,363.

Recommendation – The City should use Form 3 to decertify amounts which have been over certified.

Response – The City will use Form 3 to decertify amounts.

Conclusion – Response accepted.

IV-P-18 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 Lansing

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
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Karen L. Brustkern, CPA, Senior Auditor II  
Nicholas J. Gassman, Staff Auditor