



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

June 19, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,127,072 for the year ended June 30, 2019, a 4% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$2,982,435, an 8% decrease from the prior year. The decrease in disbursements is due primarily to a decrease in capital project costs related to the downtown façade project.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds, one finding pertaining to the La Porte City Police Association and one finding pertaining to the La Porte City Firefighters Association, both of which are blended component units. They are found on pages 54 through 58 of this report. The findings address issues such as a lack of segregation of duties, lack of timesheet approval and disbursements exceeding budgeted amounts prior to the budget amendments. Sand provided the City, the Police Association and Firefighters Association with recommendations to address each of the findings.

Two of the findings discussed above for the City and two findings pertaining to the Firefighters Association are repeated from the prior year. The City Council and management of the Police and Firefighters Associations have 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>.

###

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

JUNE 30, 2019

City of La Porte City



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

June 4, 2020

Officials of the City of La Porte City
La Porte City, 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 La Porte City, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

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

Rob Sand
Auditor of State

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			5-7
Management’s Discussion and Analysis			8-13
Basic Financial Statements:		<u>Exhibit</u>	
Government-wide Financial Statement:			
Cash Basis Statement of Activities and Net Position	A		16-17
Governmental Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B		18-19
Proprietary Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C		21
Notes to Financial Statements			22-34
Other Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds			36-37
Notes to Other Information – Budgetary Reporting			38
Schedule of the City’s Proportionate Share of the Net Pension Liability			39
Schedule of City Contributions			40-41
Notes to Other Information – Pension Liability			42
Supplementary Information:		<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1		44-45
Schedule of Indebtedness	2		46-47
Note Maturities	3		49
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4		50-51
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			52-53
Schedule of Findings			54-58
Staff			59

La Porte City

Officials

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

City of La Porte City



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of La Porte City as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

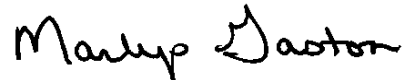
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 36 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2020 on our consideration of La Porte City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering La Porte City's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 5.2%, or approximately \$146,000, from fiscal year 2018 to fiscal year 2019. Capital grants, contributions and restricted interest decreased approximately \$254,000, while charges for services increased approximately \$79,000 and local option sales tax increased approximately \$27,000.
- Disbursements of the City's governmental activities decreased 11.2%, or approximately \$323,000, in fiscal year 2019 from fiscal year 2018. Public safety disbursements increased approximately \$118,000, while debt service and capital projects disbursements decreased approximately \$94,000 and \$276,000.
- The City's total cash basis net position increased 5.6%, or approximately \$145,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities increased \$115,322 and the cash basis net position of the business type activities increased \$29,315.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

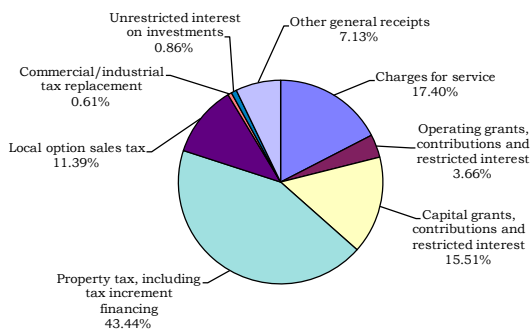
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

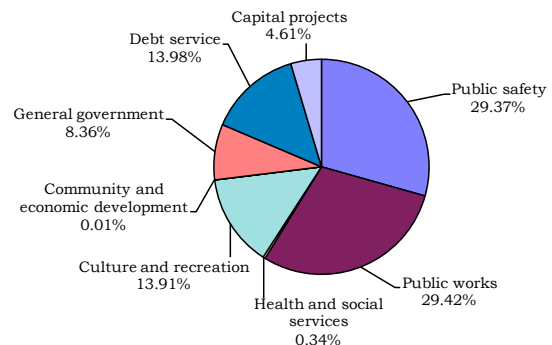
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1.940 million to approximately \$2.056 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 460,180	381,264
Operating grants, contributions and restricted interest	96,816	133,025
Capital grants, contributions and restricted interest	410,189	664,413
General receipts:		
Property tax, including tax increment financing	1,149,026	1,158,890
Local option sales tax	301,368	274,770
Commercial/industrial tax replacement	16,151	19,193
Unrestricted interest on investments	22,735	19,333
Other general receipts	188,627	140,361
Total receipts	2,645,092	2,791,249
Disbursements:		
Public safety	754,846	636,464
Public works	756,079	742,506
Health and social services	8,685	8,755
Culture and recreation	357,484	422,861
Community and economic development	235	33,512
General government	214,821	201,404
Debt service	359,243	453,113
Capital projects	118,552	394,390
Total disbursements	2,569,945	2,893,005
Change in cash basis net position before transfers	75,147	(101,756)
Transfers, net	40,175	41,305
Change in cash basis net position	115,322	(60,451)
Cash basis net position beginning of year	1,940,360	2,000,811
Cash basis net position end of year	\$ 2,055,682	1,940,360

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 5.2%, or approximately \$146,000 from the prior year. The total cost of all programs and services decreased approximately \$323,000 or 11.2% with debt service and capital projects disbursements decreasing approximately \$94,000 and \$276,000, respectively, as a result of decreased annual debt payments and decreased capital project costs associated with the downtown façade project.

The cost of all governmental activities this year was approximately \$2.570 million compared to approximately \$2.893 million last year. However, as shown in the Statement of Activities and Net Position on pages 17-18, the amount taxpayers ultimately financed for these activities was approximately \$1.603 million because some of the cost was paid by those directly benefited from the programs (approximately \$460,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$507,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2019 from approximately \$1.179 million to approximately \$967,000, principally due to decreases in operating and capital grants from the previous year related to the downtown façade project and revitalization efforts.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 340,483	326,969
Ambulance	103,961	107,871
Operating grants, contributions and restricted interest	4,051	4,347
General receipts:		
Unrestricted interest on investments	33,485	25,799
Total receipts	<u>481,980</u>	<u>464,986</u>
Disbursements:		
Sewer	306,304	227,685
Ambulance	106,186	116,344
Total disbursements	<u>412,490</u>	<u>344,029</u>
Change in cash basis net position before transfers	69,490	120,957
Transfers, net	<u>(40,175)</u>	<u>(41,305)</u>
Change in cash basis net position	29,315	79,652
Cash basis net position beginning of year	<u>644,587</u>	<u>564,935</u>
Cash basis net position end of year	<u>\$ 673,902</u>	<u>644,587</u>

Total business type activities receipts for the fiscal year were approximately \$482,000 compared to approximately \$465,000 last year. Total disbursements for the fiscal year increased 20% to approximately \$412,000, due primarily to capital equipment purchases in the sewer fund. The cash balance increased approximately \$29,000 over the prior year balance.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As La Porte City completed the year, its governmental funds reported a combined fund balance of \$2,055,682, an increase of approximately \$115,000 above last year's total of \$1,940,360. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$2,031 over the prior year to \$947,423, remaining relatively constant when compared to the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$1,694 to \$474,546, remaining relatively constant when compared to the prior year.
- The Special Revenue, Library and Museum Fund accounts for contributions, fundraisers and grants for the Library and Ag Museum. At the end of the fiscal year, the cash balance was \$490,954. The increase in fund balance of approximately \$64,000 is attributable to large bequests received by both the library and museum.
- The Debt Service Fund cash balance increased \$558 to \$36,978, remaining relatively constant when compared to the prior year.
- The Capital Projects Fund cash balance increased \$50,777 to \$53,558. This increase was due to transfers from other City reserves for preliminary engineering costs for the Main Street, Wolf Creek and Sweet Addition projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$14,790 to \$448,036.
- The Enterprise, Ambulance Fund cash balance increased \$14,525 to \$225,866, due primarily to reductions in operating supplies and capital equipment purchases.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on October 8, 2018 and resulted in an increase in government activities disbursements related to additional costs for police academy candidates and anticipated capital projects costs for replacement of City Hall roof and windows, ball diamond improvements and Wolf Creek Rehabilitation, Phase II. The second amendment was approved on May 28, 2019 and resulted in an increase in government activities disbursements related to additional wages and benefits, purchase of playground equipment for the pool and anticipated capital projects costs for Main Street Rehabilitation, Sweet 2nd Addition and ball diamond improvements. Governmental activities receipts were increased to reflect an increase in interest revenue, golf cart registrations, grants and contributions.

The City's receipts were \$154,788 more than the amended budgeted. This was primarily due to large bequests received by the library, museum and fire departments, increased interest on investments and an increase in road use tax receipts. The City's disbursements were \$1,425,008 less than the amended budget. This was primarily due to incurring fewer disbursements for business type activities due to an anticipated project at the sewer treatment plant that did not take place.

DEBT ADMINISTRATION

At June 30, 2019, the City had \$2,415,000 of general obligation notes outstanding, compared to \$2,715,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$2.4 million is significantly below its constitutional debt limit of approximately \$6.0 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

La Porte City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

In recent years, the City has seen very little growth in overall property values. As a result, the City has at times struggled to meet the demand for services without substantial increases to the levy rate. In fiscal year 2019, the City completed plans for a new subdivision consisting of 14 residential lots. Construction is expected to be completed in fiscal year 2020. The City will also begin construction on the Main Street rehabilitation project aimed at revitalizing the City's commercial district.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

La Porte City

Basic Financial Statements

La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 754,846	139,428	55,161	115,000
Public works	756,079	245,176	9,140	295,189
Health and social services	8,685	8,177	-	-
Culture and recreation	357,484	62,449	29,388	-
Community and economic development	235	-	3,127	-
General government	214,821	4,950	-	-
Debt service	359,243	-	-	-
Capital projects	118,552	-	-	-
Total governmental activities	2,569,945	460,180	96,816	410,189
Business type activities:				
Sewer	306,304	340,483	-	-
Ambulance	106,186	103,961	4,051	-
Total business type activities	412,490	444,444	4,051	-
Total primary government	\$ 2,982,435	904,624	100,867	410,189
Component unit:				
La Porte City Utilities	\$ 3,516,397	2,555,485	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Cable franchise fees				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component
Governmental	Business Type		Unit
Activities	Activities	Total	La Porte City Utilities
(445,257)	-	(445,257)	
(206,574)	-	(206,574)	
(508)	-	(508)	
(265,647)	-	(265,647)	
2,892	-	2,892	
(209,871)	-	(209,871)	
(359,243)	-	(359,243)	
(118,552)	-	(118,552)	
(1,602,760)	-	(1,602,760)	
-	34,179	34,179	
-	1,826	1,826	
-	36,005	36,005	
(1,602,760)	36,005	(1,566,755)	
			(960,912)
761,055	-	761,055	-
202,919	-	202,919	-
185,052	-	185,052	-
301,368	-	301,368	-
12,873	-	12,873	-
16,151	-	16,151	-
22,735	33,485	56,220	15,952
-	-	-	2,046,772
172,497	-	172,497	1,949
3,257	-	3,257	-
40,175	(40,175)	-	-
1,718,082	(6,690)	1,711,392	2,064,673
115,322	29,315	144,637	1,103,761
1,940,360	644,587	2,584,947	2,346,840
\$ 2,055,682	673,902	2,729,584	3,450,601
\$ 474,546	-	474,546	-
43,357	-	43,357	539,490
53,558	-	53,558	1,828,236
536,798	-	536,798	10,200
947,423	673,902	1,621,325	1,072,675
\$ 2,055,682	673,902	2,729,584	3,450,601

La Porte City

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

As of and for the year ended June 30, 2019

	Special Revenue		
	General	Road Use Tax	Library and Museum
Receipts:			
Property tax	\$ 567,254	-	-
Tax increment financing	-	-	-
Other city tax	301,368	-	-
Licenses and permits	24,689	-	-
Use of money and property	31,957	-	9,168
Intergovernmental	207,935	295,189	1,250
Charges for service	279,536	-	-
Miscellaneous	230,220	-	79,493
Total receipts	1,642,959	295,189	89,911
Disbursements:			
Operating:			
Public safety	644,419	-	-
Public works	417,102	268,495	-
Health and social services	8,685	-	-
Culture and recreation	328,687	-	282
Community and economic development	235	-	-
General government	197,330	-	-
Debt service	-	-	-
Capital projects	12,644	-	-
Total disbursements	1,609,102	268,495	282
Excess (deficiency) of receipts over (under) disbursements	33,857	26,694	89,629
Other financing sources (uses):			
Sale of capital assets	3,257	-	-
Transfers in	95,937	-	498
Transfers out	(131,020)	(25,000)	(25,736)
Total other financing sources (uses)	(31,826)	(25,000)	(25,238)
Change in cash balances	2,031	1,694	64,391
Cash balances beginning of year	945,392	472,852	426,563
Cash balances end of year	\$ 947,423	474,546	490,954
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	474,546	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	490,954
Unassigned	947,423	-	-
Total cash basis fund balances	\$ 947,423	474,546	490,954

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
202,919	-	193,801	963,974
-	-	185,052	185,052
-	-	-	301,368
-	-	-	24,689
-	-	-	41,125
3,162	-	3,325	510,861
-	-	-	279,536
-	1,163	24,354	335,230
206,081	1,163	406,532	2,641,835
-	-	110,427	754,846
-	-	70,482	756,079
-	-	-	8,685
-	-	28,515	357,484
-	-	-	235
-	-	17,491	214,821
359,243	-	-	359,243
-	105,908	-	118,552
359,243	105,908	226,915	2,569,945
(153,162)	(104,745)	179,617	71,890
-	-	-	3,257
153,720	155,522	-	405,677
-	-	(183,746)	(365,502)
153,720	155,522	(183,746)	43,432
558	50,777	(4,129)	115,322
36,420	2,781	56,352	1,940,360
36,978	53,558	52,223	2,055,682
-	-	-	474,546
36,978	-	6,379	43,357
-	53,558	-	53,558
-	-	45,844	536,798
-	-	-	947,423
36,978	53,558	52,223	2,055,682

La Porte City

La Porte City

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

As of and for the year ended June 30, 2019

	Enterprise		
	Sewer	Ambulance	Total
Operating receipts:			
Charges for service	\$ 340,483	100,439	440,922
Miscellaneous	-	3,522	3,522
Total operating receipts	340,483	103,961	444,444
Operating disbursements:			
Business type activities	306,304	106,186	412,490
Excess (deficiency) of operating receipts over (under) operating disbursements	34,179	(2,225)	31,954
Non-operating receipts:			
Intergovernmental	-	4,051	4,051
Interest on investments	20,786	12,699	33,485
Total non-operating receipts	20,786	16,750	37,536
Excess of receipts over disbursements	54,965	14,525	69,490
Transfers out	(40,175)	-	(40,175)
Change in cash balances	14,790	14,525	29,315
Cash balances beginning of year	433,246	211,341	644,587
Cash balances end of year	\$ 448,036	225,866	673,902
Cash Basis Fund Balances			
Unrestricted	\$ 448,036	225,866	673,902

See notes to financial statements.

La Porte City

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

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

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

The La Porte City Friends of the Museum has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate for charitable purposes to assist the La Porte Museum. The Friends of the Museum is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Museum meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Discretely Presented Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Library and Museum Fund is used to account for contributions, fundraisers and grants for the City's Library and Agricultural Museum.

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Notes Payable

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 310,000	53,437	363,437
2021	315,000	49,013	364,013
2022	255,000	44,242	299,242
2023	265,000	38,982	303,982
2024	275,000	33,223	308,223
2025-2029	860,000	73,612	933,612
2030-2031	135,000	5,638	140,638
Total	\$ 2,415,000	298,147	2,713,147

On March 13, 2012, the City issued \$1,920,000 of general obligation capital loan notes to provide funds for constructing streets and public grounds improvements. The notes bear interest ranging from .85% to 3.10% per annum and mature on June 1, 2027. During fiscal year 2019, the City paid principal of \$90,000 and interest of \$36,955 on the notes. The outstanding principal balance at June 30, 2019 was \$1,390,000.

On May 28, 2013, the City issued \$1,705,000 of general obligation refunding capital loan notes to currently refund the City’s outstanding balance of the City’s 2005 general obligation bonds and currently refund the City’s outstanding balance of the City’s 2006 general obligation capital loan notes. The notes bear interest ranging from .35% to 1.30% per annum and mature on June 1, 2021. During fiscal year 2019, the City paid principal of \$160,000 and interest of \$5,465 on the notes. The outstanding principal balance at June 30, 2019 was \$325,000.

On May 24, 2016, the City issued \$850,000 of general obligation capital loan notes to provide funds for constructing street and public ground improvements. The notes bear interest ranging from 1.00% to 2.75% per annum and mature on June 1, 2031. During fiscal year 2019, the City paid principal of \$50,000 and interest of \$14,658 on the notes. The outstanding principal balance at June 30, 2019 was \$700,000.

(4) Pension Plan

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

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

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

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

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

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City’s contributions to IPERS for the year ended June 30, 2019 totaled \$69,815.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$386,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.006107%, which was a decrease of 0.000097% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$71,275, \$146,209 and \$95,425, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

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

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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	\$ 781,065	386,458	55,627

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$169,145 and plan members eligible for benefits contributed \$32,537 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

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

(6) Operating Leases

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

The following is a schedule of future minimum rental payments required under the operating leases which have an initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2019:

Year Ending June 30,	Copiers
2020	\$ 2,711
2021	2,543
2022	2,543
2023	1,086
2024	300
Total	<u>\$ 9,183</u>

Rental expense for the year ended June 30, 2019 for these operating leases totaled \$3,696.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 12,300
Sick leave	20,700
Compensatory time	900
Total	<u>\$ 33,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Library and Museum	\$ 25,736
	Tax Increment Financing	<u>70,201</u>
		<u>95,937</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	113,545
	Enterprise:	
	Sewer	<u>40,175</u>
		<u>153,720</u>
Capital Projects	General	130,522
	Special Revenue:	
	Road Use Tax	<u>25,000</u>
		<u>155,522</u>
Library and Museum	General	<u>498</u>
Total		<u>\$ 405,677</u>

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

(9) Interfund Loans

During the year ended June 30, 2007, the Enterprise, Sewer Fund loaned \$90,000 to the General Fund, Economic Development Account for the purpose of housing rehabilitation purposes. During the year ended June 30, 2019, no repayments were made, leaving a balance of \$45,000.

During the year ended June 30, 2009, the General Fund and the General Fund, Equipment Replacement Account loaned \$41,000 and \$39,274, respectively, to the Debt Service Fund for debt payments related to the Sweet Addition project. The loans were certified as a tax increment obligations and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2019, \$36,515 was repaid to the General Fund, Equipment Replacement Account, paying off the remaining balance.

Also, during the year ended June 30, 2009, the General Fund, Economic Development Account loaned \$4,714 to the Special Revenue, Tax Increment Financing Fund for interest payments certified on the Witham Development Agreement. During the year ended June 30, 2019, \$1,113 was repaid to the General Fund, Economic Development Account paying off the remaining balance.

During the year ended June 30, 2010, the General Fund, Economic Development Account loaned \$4,088 to the Special Revenue, Tax Increment Financing Fund for interest payments certified on the Witham Development Agreement. During the year ended June 30, 2019, \$4,088 was repaid to the General Fund, Economic Development Account, paying off the remaining balance.

Also, during the year ended June 30, 2010, the General Fund loaned \$38,418 to the Debt Service Fund for debt payments related to the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2019, \$28,485 was repaid to the General Fund, leaving a balance of \$6,091.

During the year ended June 30, 2011, the General Fund loaned \$12,250 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2019, no repayments were made, leaving a balance of \$12,250.

During the year ended June 30, 2012, the General Fund loaned \$51,000 to the Debt Service Fund for debt payments related to the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the General Fund. During the year ended June 30, 2019, no repayments were made, leaving a balance of \$51,000.

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

Also, during the year ended June 30, 2019, the Special Revenue, Road Use Tax Fund loaned \$25,000 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the Special Revenue, Road Use Tax Fund. During the year ended June 30, 2019, no repayments were made, leaving a balance of \$25,000.

(10) Risk Management

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

(11) City of La Porte Revolving Loan Account

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

Upon receipt of loan payments from the businesses, the funds remain in the Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to the City. During the year ended June 30, 2019, the City had three loans outstanding.

Outstanding loans receivable of the General Fund, Revolving Loan Account at June 30, 2019 are as follows:

Business	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Balance at June 30, 2019
Great Plains Survey, Inc.	Oct 2, 2017	\$ 24,126	3.0%	5 years	\$ 17,215
La Porte City Printing and Design, Inc.	Apr 12, 2010	40,000	4.0	10 years	4,364
					<u>\$ 21,579</u>

(12) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of La Porte City, maybe be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City’s operations and finances.

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 963,974	-	-	963,974
Tax increment financing	185,052	-	-	185,052
Other city tax	301,368	-	-	301,368
Licenses and permits	24,689	-	-	24,689
Use of money and property	41,125	33,485	-	74,610
Intergovernmental	510,861	4,051	-	514,912
Charges for service	279,536	440,922	-	720,458
Miscellaneous	335,230	3,522	24,354	314,398
Total receipts	<u>2,641,835</u>	<u>481,980</u>	<u>24,354</u>	<u>3,099,461</u>
Disbursements:				
Public safety	754,846	-	16,116	738,730
Public works	756,079	-	-	756,079
Health and social services	8,685	-	-	8,685
Culture and recreation	357,484	-	1,675	355,809
Community and economic development	235	-	-	235
General government	214,821	-	-	214,821
Debt service	359,243	-	-	359,243
Capital projects	118,552	-	-	118,552
Business type activities	-	412,490	-	412,490
Total disbursements	<u>2,569,945</u>	<u>412,490</u>	<u>17,791</u>	<u>2,964,644</u>
Excess (deficiency) of receipts over (under) disbursements	71,890	69,490	6,563	134,817
Other financing sources, net	43,432	(40,175)	-	3,257
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	115,322	29,315	6,563	138,074
Balances beginning of year	1,940,360	644,587	29,707	2,555,240
Balances end of year	<u>\$ 2,055,682</u>	<u>673,902</u>	<u>36,270</u>	<u>2,693,314</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
972,013	972,013	(8,039)
188,002	188,002	(2,950)
301,707	301,707	(339)
25,900	26,600	(1,911)
36,850	61,850	12,760
403,876	405,826	109,086
713,550	713,550	6,908
89,745	275,125	39,273
<u>2,731,643</u>	<u>2,944,673</u>	<u>154,788</u>
736,435	780,135	41,405
762,758	828,758	72,679
9,517	10,017	1,332
373,466	429,089	73,280
26,500	31,000	30,765
185,885	221,785	6,964
359,578	359,578	335
-	180,000	61,448
<u>1,536,790</u>	<u>1,549,290</u>	<u>1,136,800</u>
<u>3,990,929</u>	<u>4,389,652</u>	<u>1,425,008</u>
(1,259,286)	(1,444,979)	1,579,796
-	127,057	(123,800)
(1,259,286)	(1,317,922)	1,455,996
<u>3,323,077</u>	<u>3,323,077</u>	<u>(767,837)</u>
<u>2,063,791</u>	<u>2,005,155</u>	<u>688,159</u>

La Porte City

Notes to Other Information – Budgetary Reporting

June 30, 2019

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$398,723. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

La Porte City

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006107%	0.006204%	0.006639%	0.006278%	0.005706%
City's proportionate share of the net pension liability	\$ 386	413	418	310	226
City's covered payroll	\$ 722	658	655	661	625
City's proportionate share of the net pension liability as a percentage of its covered payroll	53.46%	62.77%	63.82%	46.90%	36.16%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

La Porte City

Schedule of City Contributions

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

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 70	61	61	60
Contributions in relation to the statutorily required contribution	<u>(70)</u>	<u>(61)</u>	<u>(61)</u>	<u>(60)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 722	664	658	655
Contributions as a percentage of covered payroll	9.70%	9.19%	9.27%	9.16%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
61	58	55	36	42	44
(61)	(58)	(55)	(36)	(42)	(44)
-	-	-	-	-	-
661	625	598	511	568	566
9.23%	9.28%	9.20%	7.05%	7.39%	7.77%

La Porte City

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Supplementary Information

La Porte City

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

As of and for the year ended June 30, 2019

		Special	
	Employee	Tax	LPC
	Benefits	Increment	Firefighters
		Financing	Association
Receipts:			
Property tax	\$ 193,801	-	-
Tax increment financing	-	185,052	-
Intergovernmental	3,325	-	-
Miscellaneous	-	-	12,825
Total receipts	197,126	185,052	12,825
Disbursements:			
Operating:			
Public safety	94,311	-	10,115
Public works	70,482	-	-
Cultures and recreation	26,840	-	-
General government	17,491	-	-
Total disbursements	209,124	-	10,115
Excess (deficiency) of receipts over (under) disbursements	(11,998)	185,052	2,710
Other financing uses:			
Transfers out	-	(183,746)	-
Change in cash balances	(11,998)	1,306	2,710
Cash balances beginning of year	21,572	5,073	24,576
Cash balances end of year	\$ 9,574	6,379	27,286
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	6,379	-
Other purposes	9,574	-	27,286
Total cash basis fund balances	\$ 9,574	6,379	27,286

See accompanying independent auditor's report.

<u>Revenue</u>		
LPC Police Association	Friends of the Museum	Total
-	-	193,801
-	-	185,052
-	-	3,325
5,846	5,683	24,354
5,846	5,683	406,532
6,001	-	110,427
-	-	70,482
-	1,675	28,515
-	-	17,491
6,001	1,675	226,915
(155)	4,008	179,617
-	-	(183,746)
(155)	4,008	(4,129)
3,907	1,224	56,352
3,752	5,232	52,223
-	-	6,379
3,752	5,232	45,844
3,752	5,232	52,223

La Porte City
Schedule of Indebtedness
Year ended June 30, 2019

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,480,000	-	90,000	1,390,000	36,955
485,000	-	160,000	325,000	5,465
750,000	-	50,000	700,000	14,658
<u>\$ 2,715,000</u>	-	300,000	2,415,000	57,078

La Porte City

La Porte City
 Note Maturities
 June 30, 2019

General Obligation Notes								
Year Ending June 30,	Street, Sewer and Water Projects		Refunding		Street Improvement		Total	
	Issued Mar 13, 2012		Issued May 28, 2013		Issued May 24, 2016			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2020	2.00%	\$ 100,000	1.13%	\$ 160,000	1.25%	\$ 50,000	\$ 310,000	
2021	2.00	100,000	1.30	165,000	1.25	50,000	315,000	
2022	2.20	205,000		-	1.50	50,000	255,000	
2023	2.35	210,000		-	1.50	55,000	265,000	
2024	2.50	220,000		-	1.80	55,000	275,000	
2025	2.75	180,000		-	1.80	55,000	235,000	
2026	3.00	185,000		-	2.10	60,000	245,000	
2027	3.10	190,000		-	2.10	60,000	250,000	
2028		-		-	2.40	65,000	65,000	
2029		-		-	2.40	65,000	65,000	
2030		-		-	2.75	65,000	65,000	
2031		-		-	2.75	70,000	70,000	
Total		<u>\$ 1,390,000</u>		<u>\$ 325,000</u>		<u>\$ 700,000</u>	<u>\$ 2,415,000</u>	

See accompanying independent auditor's report.

La Porte City

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

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 963,974	963,291	954,829	922,017
Tax increment financing	185,052	195,599	154,135	139,168
Other city tax	301,368	274,770	310,908	279,050
Licenses and permits	24,689	22,696	27,727	27,840
Use of money and property	41,125	28,440	26,848	27,998
Intergovernmental	510,861	789,055	752,503	452,541
Charges for service	279,536	283,606	281,756	278,451
Miscellaneous	335,230	230,070	148,991	367,261
Total	<u>\$ 2,641,835</u>	<u>2,787,527</u>	<u>2,657,697</u>	<u>2,494,326</u>
Disbursements:				
Operating:				
Public safety	\$ 754,846	636,464	499,277	509,427
Public works	756,079	742,506	699,123	739,423
Health and social services	8,685	8,755	8,313	8,180
Culture and recreation	357,484	422,861	342,553	375,601
Community and economic development	235	33,512	6,765	50,717
General government	214,821	201,404	178,732	162,651
Debt service	359,243	453,113	468,329	387,953
Capital projects	118,552	394,390	1,489,670	507,645
Total	<u>\$ 2,569,945</u>	<u>2,893,005</u>	<u>3,692,762</u>	<u>2,741,597</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
914,315	905,527	819,070	781,888	749,449	766,117
123,674	149,006	146,534	168,031	196,336	138,695
280,000	294,079	277,129	293,716	283,668	287,309
41,257	43,439	28,700	22,815	22,224	20,149
29,616	38,268	40,908	21,747	32,131	43,394
373,221	426,244	322,697	432,159	616,627	1,135,073
270,336	271,210	243,052	250,557	226,300	227,885
194,047	182,226	560,243	196,988	122,449	93,161
2,226,466	2,309,999	2,438,333	2,167,901	2,249,184	2,711,783
582,894	504,679	560,105	652,402	556,456	474,565
524,322	1,192,529	461,441	492,241	702,985	470,778
5,590	11,059	3,052	5,342	7,879	6,294
365,335	472,540	379,199	385,105	358,316	362,941
95,441	40,841	59,581	16,272	37,865	80,512
168,742	133,875	133,445	144,774	126,911	109,510
384,348	414,555	2,204,916	463,221	444,305	445,845
124,762	664,951	563,011	85,715	89,981	786,597
2,251,434	3,435,029	4,364,750	2,245,072	2,324,698	2,737,042



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 4, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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 in internal control described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

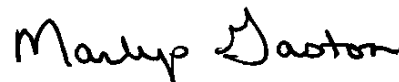
La Porte City's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

June 4, 2020

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

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

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

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

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2019

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

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

Conclusion – Response accepted.

(B) Timesheets

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

Condition – During our testing, we noted certain timesheets were not properly approved by the employee’s supervisor prior to submission of the timesheets to the City Clerk.

Cause – Timesheets were not properly reviewed and subsequently approved by the employee’s supervisor prior to submission of the timesheets to the City Clerk for payroll processing.

Effect – The lack of supervisory review increases the probability of staff errors in recording hours or leave going undetected.

Recommendation – The City should review procedures for approval and submission of all timesheets to ensure its existing policies are being properly followed.

Response – The City will review procedures for approval and submission of all timesheets to ensure approvals are done in a timely manner.

Conclusion – Response accepted.

(C) Firefighters Association – Disbursements

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2019

Condition – During fiscal year 2019, the Firefighters Association issued two checks to “cash” for \$1,400 and \$800 for which supporting documentation was not available. Checks written to cash are not prohibited and there is no policy concerning this process.

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

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

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

Response – The City will discuss this finding with the Firefighters Association and make recommendation on a policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of La Porte City
Schedule of Findings
Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2019 disbursements in the capital projects function exceeded the amounts budgeted prior to the budget amendments.

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 City will monitor disbursements closely to ensure amendments are done in a timely manner.

Conclusion – Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Jane Whittlesey, City Clerk, Co-owner, La Porte City Printing and Design, Inc.	Legal publications	\$ 4,265
Jane Whittlesey, City Clerk, Co-owner, La Porte City Printing and Design, Inc.	Publishing services	1,917
Jasmine Gaston, Council Member, Co-owner of Henninger Electric	Electrical work	169

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

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2019

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

City of La Porte City

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Kelly L. Hilton, Senior Auditor
Steven D. Rater, Staff Auditor
Andrew J. Dunne, Assistant Auditor