

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

December 27, 2021

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The Utilities' receipts totaled \$2,779,996 for the year ended June 30, 2021, a 2.2% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$2,973,224, a 25.7% decrease from the prior year. The significant decrease in disbursements is primarily due to the 69 KV capital project in the prior fiscal year.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 34 through 38 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations and transfer entries not made in accordance with Board resolutions. Sand provided the City with recommendations to address each of the findings.

Five of the seven findings discussed above are repeated from the prior year. The Utility Board has a fiduciary responsibility to provide oversight of the Utilities operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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LA PORTE CITY UTILITIES
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENT
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2021

La Porte City Utilities



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December 1, 2021

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

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for City of La Porte City Utilities for the year ended June 30, 2021. 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 City of La Porte City Utilities throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

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La Porte City Utilities

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Mehlert	Trustee, Chair	Sep 2021
Tami Keune	Trustee	Sep 2024
Gregory Piphio	Trustee	Sep 2026
William Matthes	Plant Manager	Indefinite
Robyn Oberhauser	Office Manager	Indefinite
Laura Folkerts	Attorney	Indefinite



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Independent Auditor's Report

To the Board of Trustees of the La Porte City Utilities Department:

Report on the Financial Statement

We have audited the accompanying financial statement of the La Porte City Utilities as of and for the year ended June 30, 2021, and the related Notes to Financial Statement listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statement 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 Utilities' 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the La Porte City Utilities as of June 30, 2021, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

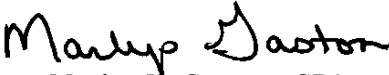
Our audit was conducted for the purpose of forming an opinion on the financial statement. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statement.

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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, 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 financial statement taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities' Contributions on pages 20 through 26 has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2021 on our consideration of the La Porte City Utilities' 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 Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the La Porte City Utilities' internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

December 1, 2021

La Porte City Utilities

Basic Financial Statement

La Porte City Utilities

La Porte City Utilities

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances

As of and for the year ended June 30, 2021

	Water	Water Capital Improvement Reserve	Water Debt Service	Total
Operating receipts:				
Charges for service	\$ 549,332	-	-	549,332
Miscellaneous	33,256	-	-	33,256
Total operating receipts	582,588	-	-	582,588
Operating disbursements:				
Business type activities:				
Plant operation and maintenance	140,063	-	-	140,063
Administration	150,923	-	-	150,923
Total operating disbursements	290,986	-	-	290,986
Excess of operating receipts over operating disbursements	291,602	-	-	291,602
Non-operating receipts (disbursements):				
Interest on investments	315	3,359	-	3,674
Insurance proceeds	39,482	-	-	39,482
Debt service	-	-	(216,023)	(216,023)
Equipment rental	(56,690)	-	-	(56,690)
Total non-operating receipts (disbursements)	(16,893)	3,359	(216,023)	(229,557)
Excess (deficiency) of receipts over (under) disbursements	274,709	3,359	(216,023)	62,045
Transfers in	467	90,635	166,423	257,525
Transfers (out)	(444,778)	-	(467)	(445,245)
Total transfers in (out)	(444,311)	90,635	165,956	(187,720)
Change in cash balances	(169,602)	93,994	(50,067)	(125,675)
Cash balances beginning of year	502,254	405,161	239,382	1,146,797
Cash balances end of year	\$ 332,652	499,155	189,315	1,021,122
Cash Basis Fund Balances				
Restricted for:				
Capital projects	\$ -	499,155	-	499,155
Debt service	-	-	189,315	189,315
Unrestricted	332,652	-	-	332,652
Total cash basis fund balances	\$ 332,652	499,155	189,315	1,021,122

See accompanying independent auditor's report.

La Porte City Utilities

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The La Porte City Utilities is a component unit of the City of La Porte City, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three-member Board of Trustees appointed by the Mayor and then approved by the City Council, which exercises oversight responsibility under this criteria.

B. Basis of Presentation

The accounts of the Utilities are organized as Enterprise Funds. Enterprise funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Major individual funds are reported as separate columns in the financial statement.

The Utilities report the following major proprietary funds:

The Enterprise, Electric Utility Fund accounts for the operation and maintenance of the electric system.

The Enterprise, Water Utility Fund accounts for the operation and maintenance of the Utilities water system.

Enterprise 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 an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

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

D. Restricted Cash Basis Fund Balance

Funds set aside for capital projects, debt service and customer deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted.

(2) Cash and Pooled Investments

The Utilities' deposits in banks at June 30, 2021 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 Utilities 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 Board of Trustees; 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 Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Notes Payable

A summary of changes in notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Electric revenue notes	\$ 4,625,000	-	465,000	4,160,000	45,000
Water revenue notes	2,113,000	-	162,000	1,951,000	168,000
Total revenue notes	\$ 6,738,000	-	627,000	6,111,000	213,000

A summary of the Utilities' June 30, 2021 notes payable is as follows:

Year Ending June 30,	Electric Issued December 24, 2016			Electric Issued April 25, 2019			Total Electric		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
	2022	2.75%	\$ -	76,225	2.50%	\$ 45,000	73,300	\$ 45,000	149,525
2023	2.75	-	76,225	2.50	60,000	72,175	60,000	148,400	208,400
2024	2.75	135,000	76,225	2.50	75,000	70,675	210,000	146,900	356,900
2025	2.75	145,000	72,513	3.00	90,000	68,800	235,000	141,313	376,313
2026	2.75	145,000	68,525	3.00	95,000	66,100	240,000	134,625	374,625
2027-2031	2.57-3.50	800,000	271,900	3.00-4.00	520,000	280,050	1,320,000	551,950	1,871,950
2032-2036	3.50-4.00	965,000	117,900	4.00	635,000	168,600	1,600,000	286,500	1,886,500
2037-2039		-	-	4.00	450,000	36,400	450,000	36,400	486,400
		\$ 2,190,000	759,513		\$ 1,970,000	836,100	\$ 4,160,000	1,595,613	5,755,613

Year Ending June 30,	Water Issued August 25, 2010			Water Issued July 11, 2012			Total Water		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
	2022	1.75%	\$ 150,000	30,398	1.75%	\$ 18,000	3,745	\$ 168,000	34,143
2023	1.75	155,000	27,772	1.75	18,000	3,430	173,000	31,202	204,202
2024	1.75	160,000	25,060	1.75	18,000	3,115	178,000	28,175	206,175
2025	1.75	165,000	22,260	1.75	19,000	2,800	184,000	25,060	209,060
2026	1.75	170,000	19,373	1.75	19,000	2,468	189,000	21,841	210,841
2027-2031	1.75	937,000	50,242	1.75	101,000	7,226	1,038,000	57,468	1,095,468
2032-2036		-	-	1.75	21,000	368	21,000	368	21,368
		\$ 1,737,000	175,105		\$ 214,000	23,152	\$ 1,951,000	198,257	2,149,257

Electric Revenue Notes

The Utilities has pledged future electric customer receipts, net of specified operating disbursements, to repay \$1,100,000, \$2,190,000 and \$2,000,000 of electric revenue notes issued in July 2013, December 2016 and April 2019, respectively. Proceeds from the notes provided financing for the construction of improvements to the electric utility including acquisition of a generator and upgrade of generators. The notes are payable solely from electric customer net receipts and are payable through 2039. Annual principal and interest payments on the notes required approximately 85% of net receipts. During the year ended June 30, 2021, paid principal of \$465,000 (including \$435,000 to pay of the balance of the 2013 note) and interest of \$162,040 on the notes. The total principal and interest remaining to be paid on the notes is \$5,755,613. For the current year, principal and interest paid and total customer net receipts were \$627,040 and \$738,515, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to electric revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to an electric revenue reserve account until specific minimum balances have been accumulated in the accounts. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

Water Revenue Notes

On August 25, 2010, the Utilities entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$3,000,000 of water revenue notes with interest at 3% per annum. The agreement also requires the Utilities to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain improvements and extensions to the water treatment facility. The Utilities drew down funds from the Iowa Finance Authority upon request to reimburse the Utilities for costs as they are incurred. At June 30, 2021, the Utilities had drawn 100% of the \$3,000,000 authorized amount. An initiation fee of \$30,000 (1% of the authorized borrowing for the water revenue note) was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue notes drawn by the Utilities during the year ended June 30, 2011. On December 1, 2020, the Utilities refinanced the loan and obtained a reduction in the interest rate from 3% to 1.75% per annum, resulting in interest savings of \$136,838 over the life of the loan. During the year ended June 30, 2021, the Utilities paid principal and interest of \$145,000 and \$44,698, respectively, on the note.

On July 11, 2012, the Utilities entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$600,000 of water revenue notes with interest at 1.75% per annum. The agreement also requires the Utilities to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain improvements and extensions to the water treatment facility. At June 30, 2021, the Utilities had drawn \$377,426 of the \$600,000 authorized amount. An initiation fee of \$3,000 (.5% of the authorized borrowing for the water revenue note) was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the water revenue notes drawn by the Utilities during the year ended June 30, 2013. During the year ended June 30, 2021, the Utilities paid principal and interest of \$17,000 and \$4,043, respectively, on the note.

The Utilities has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue notes. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes required approximately 94% of net receipts. The total amount of principal and interest remaining to be paid on the notes at June 30, 2021 is \$2,149,257. For the current year, principal and interest paid and total customer water utility net receipts were \$291,602 and \$274,394, respectively.

The resolutions providing for the issuance of the water revenue notes issued under the loan agreement includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.

(4) Pension Plan

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

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

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

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

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Utilities contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Utilities' contributions to IPERS for the year ended June 30, 2021 totaled \$28,722.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Utilities reported a liability of \$282,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Utilities' proportion was 0.004018%, which was a decrease of 0.000793% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Utilities' pension expense, deferred outflows of resources and deferred inflows of resources totaled \$43,303, \$53,873 and \$29,722, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 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 on the 2020 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%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
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 Utilities 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 the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utilities' 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%)
Utilities' proportionate share of the net pension liability	\$ 470,623	282,247	124,297

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 La Porte City Utilities 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 La Porte City Utilities currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the La Porte City Utilities contributed \$95,287 and plan members eligible for benefits contributed \$4,429 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the La Porte City Utilities 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>3</u>
Total	<u>4</u>

(6) Compensated Absences

Utilities' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation and sick leave payable to employees at June 30, 2021, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 13,700
Sick leave	<u>10,400</u>
Total	<u>\$ 24,100</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Intrafund Transfers

The detail of intrafund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise:	Enterprise:	
Electric	Diesel Engine Reserve	\$ 3,654
	Diesel Engine 2013	273
	Electric Debt Service	<u>49,230</u>
		<u>53,157</u>
Electric Reserve	Electric	192,860
Electric Debt Service	Electric	589,570
	Electric Reserve	<u>88,500</u>
		<u>678,070</u>
Electric Bond Project	Electric	<u>177,589</u>
	Total Enterprise: Electric	<u>\$ 1,101,676</u>
Enterprise:	Enterprise:	
Water	Water Debt Service	\$ 467
Water Capital Improvement Reserve	Water	90,635
Water Debt Service	Water	<u>166,423</u>
	Total Enterprise: Water	<u>\$ 257,525</u>

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

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise:	Enterprise:	
Electric Bond Project	Water	\$ 187,720

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

(9) Risk Management

The Utilities 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 Utilities 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.

(10) COVID-19

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

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

Other Information

La Porte City Utilities
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balance –
 Budget and Actual

Other Information

Year ended June 30, 2021

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Use of money and property	\$ 6,576	82,410	82,410	(75,834)
Charges for service	2,587,041	2,729,160	2,729,160	(142,119)
Miscellaneous	186,379	129,500	129,500	56,879
Total receipts	2,779,996	2,941,070	2,941,070	(161,074)
Disbursements:				
Business type activities	2,916,534	1,818,275	2,918,275	1,741
Change in cash balances	(136,538)	1,122,795	22,795	(159,333)
Cash balances beginning of year	2,167,065	3,698,423	3,698,423	(1,531,358)
Cash balances end of year	\$ 2,030,527	4,821,218	3,721,218	(1,690,691)

See accompanying independent auditor's report.

La Porte City Utilities

Notes to Other Information – Budgetary Reporting

June 30, 2021

The La Porte City Utilities prepares a budget on the cash basis of accounting for all funds and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes the Utilities, on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions, not by fund. The Utilities' disbursements are budgeted in the business type activities function. During the year the Utilities adopted one budget amendment, increasing budgeted disbursements by \$1,100,000.

Disbursements during fiscal year ending June 30, 2021 exceeded the amount budgeted prior to the budget amendment and at year end.

La Porte City Utilities

Schedule of the Utilities' Proportionate Share of the Net Pension Liability

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

Other Information

	2021	2020	2019	2018
Utilities' proportion of the net pension liability	0.004018%	0.004811%	0.004660%	0.004282%
Utilities' proportionate share of the net pension liability	\$ 282,247	278,559	294,876	285,250
Utilities' covered payroll	\$ 318,867	366,097	350,218	320,349
Utilities' proportionate share of the net pension liability as a percentage of its covered payroll	88.52%	76.09%	84.20%	89.04%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.004563%	0.004620%	0.004741%
287,164	228,261	188,018
327,459	316,413	310,222
87.69%	72.14%	60.61%
81.82%	85.19%	87.61%

La Porte City Utilities

Schedule of Utilities Contributions

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

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 28,722	30,101	34,560	31,275
Contributions in relation to the statutorily required contribution	<u>(28,722)</u>	<u>(30,101)</u>	<u>(34,560)</u>	<u>(31,275)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Utilities' covered payroll	\$ 304,261	318,867	366,097	350,218
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%

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

See accompanying independent auditor's report.

2017	2016	2015	2014	2013
28,545	29,242	28,255	27,703	24,932
(28,545)	(29,242)	(28,255)	(27,703)	(24,932)
-	-	-	-	-
320,349	327,459	316,413	310,222	287,564
8.93%	8.93%	8.93%	8.93%	8.67%

La Porte City Utilities

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

La Porte City Utilities

Combining Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Electric Enterprise Fund Accounts

Year ended June 30, 2021

	Electric	Electric Reserve	Meter Deposits
Operating receipts:			
Charges for service	\$ 2,036,484	-	-
Miscellaneous	113,641	-	-
Total operating receipts	<u>2,150,125</u>	-	-
Operating disbursements:			
Business type activities:			
Plant operation and maintenance	886,945	-	-
Administration	509,665	-	-
Total operating disbursements	<u>1,396,610</u>	-	-
Excess of operating receipts over operating disbursements	<u>753,515</u>	-	-
Non-operating receipts (disbursements):			
Interest on investments	170	-	1
Rental income	1,225	-	-
Debt service	-	-	-
Capital outlay	(16,809)	-	-
Total non-operating receipts (disbursements)	<u>(15,414)</u>	-	1
Excess (deficiency) of receipts over (under) disbursements	<u>738,101</u>	-	1
Transfers in	53,157	192,860	-
Transfers (out)	(960,019)	(88,500)	-
Total transfers in (out)	<u>(906,862)</u>	104,360	-
Change in cash balances	(168,761)	104,360	1
Cash balances beginning of year	<u>767,463</u>	<u>240,490</u>	<u>10,332</u>
Cash balances (deficits) end of year	<u>\$ 598,702</u>	<u>344,850</u>	<u>10,333</u>
Cash Basis Fund Balances (Deficits)			
Restricted for:			
Customer deposits	\$ -	-	10,333
Capital projects	-	-	-
Debt service	-	344,850	-
Unrestricted	<u>598,702</u>	-	-
Total cash basis fund balances (deficits)	<u>\$ 598,702</u>	<u>344,850</u>	<u>10,333</u>

See accompanying independent auditor's report.

Electric Bond Project	Diesel Engine Reserve	Diesel Engine 2013	Electric Debt Service	Total
-	-	-	-	2,036,484
-	-	-	-	113,641
-	-	-	-	2,150,125
-	-	-	-	886,945
-	-	-	-	509,665
-	-	-	-	1,396,610
-	-	-	-	753,515
-	2,723	8	-	2,902
-	-	-	-	1,225
-	-	-	(628,640)	(628,640)
(367,466)	-	-	-	(384,275)
(367,466)	2,723	8	(628,640)	(1,008,788)
(367,466)	2,723	8	(628,640)	(255,273)
365,309	-	-	678,070	1,289,396
-	(3,654)	(273)	(49,230)	(1,101,676)
365,309	(3,654)	(273)	628,840	187,720
(2,157)	(931)	(265)	200	(67,553)
2,157	1,150	271	(1,595)	1,020,268
-	219	6	(1,395)	952,715
-	-	-	-	10,333
-	-	-	-	-
-	-	-	-	344,850
-	219	6	(1,395)	597,532
-	219	6	(1,395)	952,715

La Porte City Utilities

La Porte City Utilities

Combining Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Water Enterprise Fund Accounts

Year ended June 30, 2021

	Water	Water Capital Improvement Reserve	Water Debt Service	Total
Operating receipts:				
Charges for service	\$ 549,332	-	-	549,332
Miscellaneous	33,256	-	-	33,256
Total operating receipts	582,588	-	-	582,588
Operating disbursements:				
Business type activities:				
Plant operation and maintenance	140,063	-	-	140,063
Administration	150,923	-	-	150,923
Total operating disbursements	290,986	-	-	290,986
Excess of operating receipts over operating disbursements	291,602	-	-	291,602
Non-operating receipts (disbursements):				
Interest on investments	315	3,359	-	3,674
Insurance proceeds	39,482	-	-	39,482
Debt service	-	-	(216,023)	(216,023)
Equipment rental	(56,690)	-	-	(56,690)
Total non-operating receipts (disbursements)	(16,893)	3,359	(216,023)	(229,557)
Excess (deficiency) of receipts over (under) disbursements	274,709	3,359	(216,023)	62,045
Transfers in	467	90,635	166,423	257,525
Transfers (out)	(444,778)	-	(467)	(445,245)
Total transfers in (out)	(444,311)	90,635	165,956	(187,720)
Change in cash balances	(169,602)	93,994	(50,067)	(125,675)
Cash balances beginning of year	502,254	405,161	239,382	1,146,797
Cash balances end of year	\$ 332,652	499,155	189,315	1,021,122
Cash Basis Fund Balances				
Restricted for:				
Capital projects	\$ -	499,155	-	499,155
Debt service	-	-	189,315	189,315
Unrestricted	332,652	-	-	332,652
Total cash basis fund balances	\$ 332,652	499,155	189,315	1,021,122

See accompanying independent auditor's report.



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

To the Board of Trustees of the La Porte City Utilities:

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 statement of the La Porte City Utilities as of and for the year ended June 30, 2021, and the related Notes to Financial Statement, and have issued our report thereon dated December 1, 2021. Our report expressed an unmodified opinion on the financial statement which was 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 statement, we considered the La Porte City Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the La Porte City Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the La Porte City Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of La Porte City Utilities' financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the La Porte City Utilities' financial statement is 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

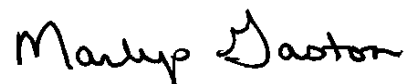
The La Porte City Utilities' Response to the Findings

The La Porte City Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The La Porte City Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statement 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 Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Marlys K. Gaston, CPA
Deputy Auditor of State

December 1, 2021

Finding Related to the Financial Statement:

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 Utilities’ financial statement.

Condition – Generally, one or two individuals have control over each of the following areas for the Utilities:

- (1) Accounting system – performing all general accounting functions, including journal entries, and controlling all data input and output.
- (2) Cash – handling cash, reconciling bank accounts and initiating and recording cash receipt and disbursement transactions.
- (3) Investments – investing and recording.
- (4) Bank reconciliation – preparing bank account reconciliations, handling cash receipt and disbursement functions and handling and recording cash.
- (5) Receipts – opening mail, collecting, depositing, posting and reconciling.
- (6) Disbursements and payroll – purchasing, preparing checks, recording, reconciling, distributing.
- (7) Long term debt – recordkeeping, compliance and debt payment processing.
- (8) Compensated absences – no review by an independent person.
- (9) Journal entries – preparing and recording. In addition, there is no independent review of journal entries.
- (10) Incoming mail is not opened by an employee who is not authorized to make entries to accounting records.
- (11) Financial reporting – preparing, recording and reconciling.

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

Effect – Inadequate segregation of duties could adversely affect the Utilities’ 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.

La Porte City Utilities

Schedule of Findings

Year ended June 30, 2021

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Utilities should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including officials. Independent reviews of reconciliations, compensated absences records, financial transactions and reports and utility rates entered into the computer system should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – This is an ongoing issue in the audit report every year. Due to the size of our utility office, we feel we have divided the general duties between the office personnel as best as we can. We feel we have a good check and balance system, and each employee does not complete one process. We will continue to review and monitor ways to improve segregation of duties.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts

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

Condition – Although the City’s utility software generates a monthly reconciliation of utility billings, collections and delinquent accounts, the amounts in the reconciliation are not compared to supporting records, including reconciling utility collections to deposits. In addition, the monthly reconciliations are not reviewed by an independent person.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts and to reconcile utility collections to deposits.

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

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period, including comparing the billings, collections and accounts receivable amounts to supporting records and reconciling collections to deposits. The Utilities Board or a designated independent person should review the reconciliations and monitor delinquencies.

Response – Accounts receivable and audit reports are balanced at the end of each month. The Office Manager will sign and date these reports after review.

Conclusion – Response acknowledged. The amounts in the software generated utility reconciliation, including reconciling items, should be compared to supporting records by an independent person to ensure the accuracy of the recorded collections and accounts receivable.

La Porte City Utilities

Schedule of Findings

Year ended June 30, 2021

(C) Transfer Journal Entries

Criteria – An effective internal control system provides for internal controls related to ensuring transfers between funds are properly authorized and recorded. Properly designed procedures help provide reasonable assurance financial information is reliable and accurate and in compliance with applicable laws and regulations.

Condition – Several journal entries to record transfers were not made to the proper fund(s) in accordance with transfer resolutions authorized by the Board.

Cause – Policies and procedures have not been developed to require review of the accounting records to ensure transfers authorized by the Board or required by bond resolutions are properly entered and recorded to the correct fund.

Effect – Failure to record transfers properly in the accounting records could result in non-compliance with bond requirements and could negatively affect the Board's decision-making ability related to spending, amending the budget and fund balances.

Recommendation – Policies and procedures should be established to ensure transfers authorized by the Board or required by bond resolution are recorded accurately and on a timely basis. An independent person should review required transfer journal entries to ensure the entries are complete, accurate and timely. The review should be documented by signature or initials of the reviewer and date of the review.

Response – The Utilities will work to implement a policy for review of transfers.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

La Porte City Utilities

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during fiscal year ending June 30, 2020 exceeded the amount budgeted prior to the budget amendment and at year end. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget was amended once in June 2020. La Porte City Utilities will be monitoring funds and amending the budget prior to disbursements exceeding budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Utilities money for travel expenses of spouses of Utilities officials or employees were noted.
- (4) Business Transactions – No business transactions between the Utilities and Utilities officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the Utilities, Utilities officials, Utilities employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of Utilities officials and employees is carried by the La Porte City Utilities in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – The Utility has not adopted a resolution naming official depositories as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Utilities Board, by resolution, should adopt a depository resolution which establishes maximum deposit amount as required by Chapter 12C.2 of the Code of Iowa.

Response – We are currently working on putting one in place.

Conclusion – Response accepted.

- (9) Electric Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

La Porte City Utilities

Schedule of Findings

Year ended June 30, 2021

- (10) Financial Condition – At June 30, 2021, the Utilities had a deficit balance of \$1,395 in the Electric Debt Service Account. The deficit is primarily due to the Utility not transferring sufficient funds from the Electric Reserve Account in order to fund the principal and interest paid on the notes.

Recommendation – The Utilities should make the required transfers to eliminate this deficit and return the account to a sound financial position.

Response – The Utilities will monitor fund balances and make the required transfers to ensure that this will not happen in the future.

Conclusion – Response accepted.

- (11) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each Utility to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. Two checks, outstanding for more than two years, have not been remitted to the Office of Treasurer of State.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – The Utilities will monitor this and will be turning in items over two years old to the Treasurer of State.

Conclusion – Response accepted.

- (12) Transfers – Rule 545-2.5 of the Iowa Administrative Code requires transfers between funds to be passed by resolution and include a clear statement of the reason or purpose for the transfers, the name of the affected funds and the dollar amount to be transferred. The Utility did not approve transfers for debt payments by resolution, as required.

Recommendation – The Utility should comply with Rule 545-2.5 of the Iowa Administrative Code.

Response – In the future, the Utility will comply by passing resolutions for transfers.

Conclusion – Response accepted.

La Porte City Utilities

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Gwen D. Fangman, CPA, Manager
Adjoa S. Adanledji, Senior II Auditor
Zachary T. Shaw, Assistant Auditor