



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

Rob Sand  
Auditor of State

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**NEWS RELEASE**

Contact: Ernest Ruben  
515/281-5834

**FOR RELEASE**

**April 19, 2022**

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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 \$7,966,689 for the year ended June 30, 2021, a 156.0% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$8,310,579, a 187.9% increase over the prior year. The significant increase in receipts and disbursements is due primarily to \$3,681,425 of general obligation capital loan note receipts for the street project.

**AUDIT FINDINGS:**

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 52 through 55 of this report. The findings address a lack of segregation of duties and noncompliance with Chapter 384.20 of the Code of Iowa. Sand provided the City with recommendations to address the findings.

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

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

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

**JUNE 30, 2021**

**City of La Porte City**



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Rob Sand  
Auditor of State

March 30, 2022

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, 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 the City of La Porte City throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand  
Auditor of State

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**City of 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
Tim Smith	Council Member	Jan 2022
Jasmine Gaston	Council Member	Jan 2024
Kristi Harrill	Council Member	Jan 2024
Brett Hakeman	Council Member	Jan 2024
Jane Whittlesey	City Clerk/Treasurer	Indefinite
Laura Folkerts	Attorney	Indefinite

**City of La Porte City**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five 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 and 2 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 44, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2022 on our consideration of the City of La Porte City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of La Porte City's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

March 30, 2022

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

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The City of La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2021 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 186.9%, or approximately \$4,861,000, over fiscal year 2020 to fiscal year 2021. The increase was mainly due to the sale of bonds for city wide improvements and additional grants for capital projects.
- Disbursements of the City's governmental activities increased 211.1%, or approximately \$5,218,000, in fiscal year 2021 over fiscal year 2020. The significant increase in disbursements was primarily due to capital street projects.
- The City's total cash basis net position decreased 11.6%, or approximately \$344,000, from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities increased approximately \$11,000 and the cash basis net position of the business type activities decreased approximately \$355,000.

### **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.

## **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.

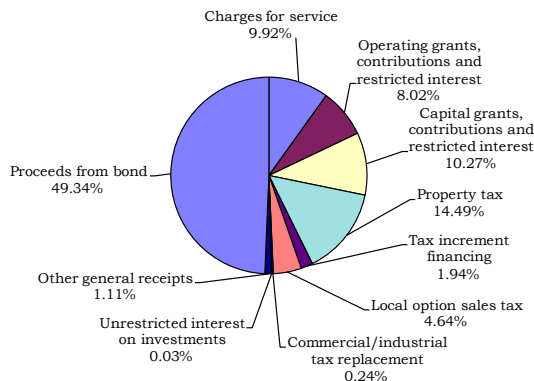
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

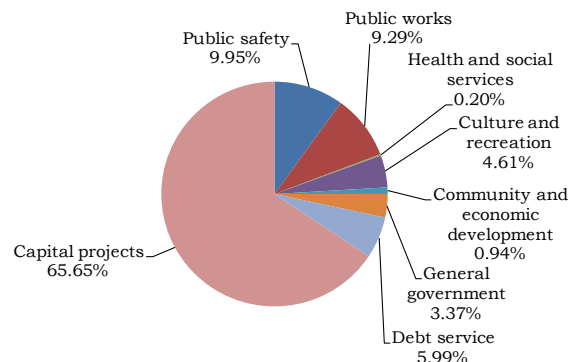
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased over a year ago, increasing from approximately \$2.228 million to approximately \$2.240 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2021	2020
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 740,045	342,919
Operating grants, contributions and restricted interest	598,671	503,262
Capital grants, contributions and restricted interest	766,350	96,834
General receipts:		
Property tax	1,081,560	1,055,574
Tax increment financing	144,462	184,950
Local option sales tax	346,064	298,045
Commercial/industrial tax replacement	18,178	16,947
Unrestricted interest on investments	2,418	11,505
Other general receipts	83,011	90,695
Proceeds from bond	3,681,425	-
<b>Total receipts</b>	<b>7,462,184</b>	<b>2,600,731</b>
<b>Disbursements:</b>		
Public safety	765,058	496,690
Public works	715,257	761,938
Health and social services	15,224	8,716
Culture and recreation	354,389	352,573
Community and economic development	72,376	8,560
General government	259,117	196,743
Debt service	460,482	378,288
Capital projects	5,048,924	268,951
<b>Total disbursements</b>	<b>7,690,827</b>	<b>2,472,459</b>
Change in cash basis net position before transfers	(228,643)	128,272
Transfers, net	239,999	44,545
Change in cash basis net position	11,356	172,817
Cash basis net position beginning of year	2,228,499	2,055,682
Cash basis net position end of year	\$ 2,239,855	2,228,499

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 186.9%, or approximately \$4,861,000, over the prior year. The total cost of all programs and services increased approximately \$5,218,000, or 211.1%, with capital project and public safety disbursements increasing approximately \$4,780,000 and \$268,000, respectively. The increase in disbursements is primarily due to multiple capital projects during the year.

The cost of all governmental activities this year was approximately \$7.691 million compared to approximately \$2.472 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$5.586 million because some of the cost was paid by those directly benefited from the programs (approximately \$740,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1.365 million). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2021 from approximately \$943,000 to approximately \$2.105 million, primarily due to receiving grant proceeds for the Main Street Rehabilitation, Wolf Creek Rehabilitation and Sweet 2<sup>nd</sup> and 3<sup>rd</sup> Subdivision Addition projects.

<u>Changes in Cash Basis Net Position of Business Type Activities</u>		
	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 395,328	384,367
Ambulance	100,556	103,589
Operating grants, contributions and restricted interest	5,473	5,843
General receipts:		
Unrestricted interest on investments	3,148	17,916
Total receipts	<u>504,505</u>	<u>511,715</u>
Disbursements:		
Sewer	527,839	313,149
Ambulance	91,913	101,223
Total disbursements	<u>619,752</u>	<u>414,372</u>
Change in cash basis net position before transfers	(115,247)	97,343
Transfers, net	<u>(239,999)</u>	<u>(44,545)</u>
Change in cash basis net position	(355,246)	52,798
Cash basis net position beginning of year	<u>726,700</u>	<u>673,902</u>
Cash basis net position end of year	<u>\$ 371,454</u>	<u>726,700</u>

Total business type activities receipts for the fiscal year were approximately \$504,000 compared to approximately \$512,000 last year. Total disbursements for the fiscal year increased \$205,000, or 49.6%, compared to the prior year. This significant increase is primarily due to engineering design costs for the wastewater treatment facility improvement project. The cash balance decreased approximately \$355,000, or 48.9%, from the prior year balance.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of La Porte City completed the year, its governmental funds reported a combined fund balance of \$2,239,855 an increase of approximately \$11,000 over last year's total of \$2,228,499. 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 decreased \$77,462 from the prior year to \$1,135,926. Receipts increased approximately \$121,000, or 8.3%, due primarily to the City receiving a grant of approximately \$52,000 from the COVID-19 Coronavirus Relief Fund. Approximately \$48,000 of this increase was due to local option sales tax (LOST). In accordance with the LOST ballot provisions, the City is required to use all proceeds to help offset future property tax increases. Disbursements increased approximately \$391,000, or 30.0%, due primarily to the purchase of property during the current year for the purpose of constructing a fire station.
- The Special Revenue, Road Use Tax Fund cash balance increased \$69,576 to \$297,113, due primarily to increased Road Use Taxes received from the State.
- The Special Revenue, Library and Museum Fund accounts for contributions, fundraisers and grants for the Library and Ag Museum. At the end of the fiscal year, the cash balance was \$487,286, remaining relatively constant when compared to the prior year.
- The Debt Service Fund cash balance decreased \$36,525 to \$58,105, mainly due to increased interest payments for the new general obligation capital loan note.
- The Capital Projects Fund cash balance decreased \$34,229 to \$103,173. This decrease was the result of the City spending down bond and grant proceeds to complete the Main Street and Sweet 2<sup>nd</sup> and 3<sup>rd</sup> Subdivision Addition projects.

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

- The Enterprise, Sewer Fund cash balance decreased \$370,392 to \$116,489, due primarily due to engineering design costs for the wastewater treatment facility project.
- The Enterprise, Ambulance Fund cash balance increased \$15,146 to \$254,965. Receipts and disbursements remained relatively constant when compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget three times. The first amendment was approved on August 10, 2020 and resulted in an increase in operating disbursements related to the Main Street Rehabilitation, Wolf Creek Rehabilitation and Sweet Subdivision 2<sup>nd</sup> and 3<sup>rd</sup> Subdivision projects. The second amendment was approved on May 24, 2021 and resulted in an increase in operation disbursements related to the purchase of property to construct a fire station. The final amendment was approved June 28, 2021 and resulted in an increase in debt service interest payments.

The City's receipts were \$44,443 less than the amended budgeted. This was primarily due to lower miscellaneous receipts than expected. The City's disbursements were \$1,470,128 less than the amended budget. This was primarily due to construction projects not progressing as planned.

## **DEBT ADMINISTRATION**

At June 30, 2021, the City had \$5,365,000 of general obligation notes outstanding, compared to \$2,105,000 last year.

Debt increased as a result of issuing general obligation capital loan notes for constructing street and public ground improvements.

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 \$5.4 million is below its constitutional debt limit of approximately \$6.0 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of La Porte City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

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

With completion of the Main Street Rehabilitation project and Sweet 2<sup>nd</sup> and 3<sup>rd</sup> Subdivision Addition projects in FY21, the City has no major capital projects planned for FY22. The City continues planning and design work for the wastewater treatment plant improvement project and expects construction to be begin in late FY23. The City is utilizing a loan from the State Revolving Fund to fund the project. Based on recent increases in estimated costs of the project, sewer user fees will need to be increased substantially over the next five years to cover the revenue bond payments.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



**City of La Porte City**

## **Basic Financial Statements**

La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 765,058	30,219	90,472	-
Public works	715,257	278,784	351,118	-
Health and social services	15,224	8,613	9,472	-
Culture and recreation	354,389	54,982	87,348	-
Community and economic development	72,376	-	6,991	-
General government	259,117	5,360	53,270	-
Debt service	460,482	-	-	-
Capital projects	5,048,924	362,087	-	766,350
Total governmental activities	7,690,827	740,045	598,671	766,350
Business type activities:				
Sewer	527,839	395,328	-	-
Ambulance	91,913	100,556	5,473	-
Total business type activities	619,752	495,884	5,473	-
<b>Total primary government</b>	<b>\$ 8,310,579</b>	<b>1,235,929</b>	<b>604,144</b>	<b>766,350</b>
<b>Component unit:</b>				
La Porte City Utilities	\$ 2,973,224	2,733,938	-	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Cable franchise fees				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
Transfers				
General obligation notes proceeds, including \$132,273 premium, net of \$25,848 issuance costs				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component
Primary Government			Unit
Governmental Activities	Business Type Activities	Total	La Porte City Utilities
(644,367)	-	(644,367)	
(85,355)	-	(85,355)	
2,861	-	2,861	
(212,059)	-	(212,059)	
(65,385)	-	(65,385)	
(200,487)	-	(200,487)	
(460,482)	-	(460,482)	
<u>(3,920,487)</u>	<u>-</u>	<u>(3,920,487)</u>	
<u>(5,585,761)</u>	<u>-</u>	<u>(5,585,761)</u>	
-	(132,511)	(132,511)	
-	14,116	14,116	
-	(118,395)	(118,395)	
<u>(5,585,761)</u>	<u>(118,395)</u>	<u>(5,704,156)</u>	
			<u>(239,286)</u>
821,045	-	821,045	-
260,515	-	260,515	-
144,462	-	144,462	-
346,064	-	346,064	-
10,810	-	10,810	-
18,178	-	18,178	-
2,418	3,148	5,566	6,576
37,733	-	37,733	39,482
34,468	-	34,468	-
239,999	(239,999)	-	-
<u>3,681,425</u>	<u>-</u>	<u>3,681,425</u>	<u>-</u>
<u>5,597,117</u>	<u>(236,851)</u>	<u>5,360,266</u>	<u>46,058</u>
11,356	(355,246)	(343,890)	(193,228)
<u>2,228,499</u>	<u>726,700</u>	<u>2,955,199</u>	<u>2,167,065</u>
<u>\$ 2,239,855</u>	<u>371,454</u>	<u>2,611,309</u>	<u>1,973,837</u>
\$ 297,113	-	297,113	-
73,071	-	73,071	534,165
103,173	-	103,173	499,155
630,572	-	630,572	10,333
<u>1,135,926</u>	<u>371,454</u>	<u>1,507,380</u>	<u>930,184</u>
<u>\$ 2,239,855</u>	<u>371,454</u>	<u>2,611,309</u>	<u>1,973,837</u>

City of La Porte City

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

As of and for the year ended June 30, 2021

	Special Revenue		
	General	Road Use Tax	Library and Museum
Receipts:			
Property tax	\$ 589,775	-	-
Tax increment financing	-	-	-
Local option sales tax	346,064	-	-
Other city tax	1,242	-	-
Licenses and permits	23,368	-	-
Use of money and property	7,381	-	3,217
Intergovernmental	192,869	341,978	2,000
Charges for service	299,931	-	-
Miscellaneous	114,062	20,693	11,143
Total receipts	<u>1,574,692</u>	<u>362,671</u>	<u>16,360</u>
Disbursements:			
Operating:			
Public safety	678,777	-	-
Public works	356,935	318,095	-
Health and social services	15,224	-	-
Culture and recreation	330,936	-	-
Community and economic development	72,376	-	-
General government	240,111	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,694,359</u>	<u>318,095</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(119,667)</u>	<u>44,576</u>	<u>16,360</u>
Other financing sources (uses):			
General obligation notes proceeds, including \$132,273 premium, net of \$25,848 issuance costs	-	-	-
Sale of capital assets	27,633	-	131
Transfers in	14,572	25,000	-
Transfers out	-	-	(16,447)
Total other financing sources (uses)	<u>42,205</u>	<u>25,000</u>	<u>(16,316)</u>
Change in cash balances	(77,462)	69,576	44
Cash balances beginning of year	<u>1,213,388</u>	<u>227,537</u>	<u>487,242</u>
Cash balances end of year	<u>\$ 1,135,926</u>	<u>297,113</u>	<u>487,286</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	297,113	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	487,286
Unassigned	<u>1,135,926</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,135,926</u>	<u>297,113</u>	<u>487,286</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
260,018	-	229,531	1,079,324
-	-	144,462	144,462
-	-	-	346,064
497	-	497	2,236
-	-	-	23,368
-	-	-	10,598
5,910	750,500	2,076	1,295,333
-	-	-	299,931
-	377,937	21,140	544,975
266,425	1,128,437	397,706	3,746,291
-	-	86,281	765,058
-	-	40,227	715,257
-	-	-	15,224
-	-	23,453	354,389
-	-	-	72,376
-	-	19,006	259,117
460,482	-	-	460,482
-	5,048,924	-	5,048,924
460,482	5,048,924	168,967	7,690,827
(194,057)	(3,920,487)	228,739	(3,944,536)
-	3,681,425	-	3,681,425
-	6,704	-	34,468
157,532	198,129	-	395,233
-	-	(138,787)	(155,234)
157,532	3,886,258	(138,787)	3,955,892
(36,525)	(34,229)	89,952	11,356
94,630	137,402	68,300	2,228,499
58,105	103,173	158,252	2,239,855
-	-	-	297,113
58,105	-	14,966	73,071
-	103,173	-	103,173
-	-	143,286	630,572
-	-	-	1,135,926
58,105	103,173	158,252	2,239,855

**City of La Porte City**

City of La Porte City

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

As of and for the year ended June 30, 2021

	Enterprise		
	Sewer	Ambulance	Total
Operating receipts:			
Charges for service	\$ 392,156	98,146	490,302
Miscellaneous	3,172	2,410	5,582
Total operating receipts	395,328	100,556	495,884
Operating disbursements:			
Business type activities	320,001	91,913	411,914
Excess of operating receipts over operating disbursements	75,327	8,643	83,970
Non-operating receipts (disbursements):			
Intergovernmental	-	5,473	5,473
Interest on investments	2,118	1,030	3,148
Equipment	(41,838)	-	(41,838)
Capital projects	(166,000)	-	(166,000)
Total non-operating receipts	(205,720)	6,503	(199,217)
Excess (deficiency) of receipts over (under) disbursements	(130,393)	15,146	(115,247)
Transfers out	(239,999)	-	(239,999)
Change in cash balances	(370,392)	15,146	(355,246)
Cash balances beginning of year	486,881	239,819	726,700
Cash balances end of year	\$ 116,489	254,965	371,454
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 116,489	254,965	371,454

See notes to financial statements.



City of La Porte City

Notes to Financial Statements

June 30, 2021

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

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

A. Reporting Entity

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

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

Blended Component Units

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

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

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

#### Discretely Presented Component Unit

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

#### Jointly Governed Organizations

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

#### B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

### D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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. Disbursements in the public safety, health and social services, community and economic development and debt service functions exceeded the amount budgeted prior to budget amendment.

**(2) Cash and Pooled Investments**

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

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

**(3) Notes Payable**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation notes	\$ 2,105,000	3,575,000	315,000	5,365,000	480,000

General Obligation Notes

A summary of the City’s June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	Streets, Street Lighting, Sidewalks Sanitary System, Water Works			Streets, Sidewalks, Storm Sewers, Water Lines		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.20%	\$ 205,000	31,335	1.25%	\$ 50,000	12,907
2023	2.35	210,000	26,825	1.50	55,000	12,157
2024	2.50	220,000	21,890	1.50	55,000	11,333
2025	2.75	180,000	16,390	1.80	55,000	10,342
2026	2.75	185,000	11,440	2.10	60,000	9,352
2027-2031	3.00-3.10	190,000	5,890	2.10-2.75	325,000	25,836
2032-2035		-	-		-	-
Total		\$ 1,190,000	113,770		\$ 600,000	81,927

Year Ending June 30,	Streets, Sidewalks, Storm Sewers, Water Lines			Totals		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.00%	\$ 225,000	71,500	\$ 480,000	115,742	595,742
2023	2.00	230,000	67,000	495,000	105,982	600,982
2024	2.00	235,000	62,400	510,000	95,623	605,623
2025	2.00	240,000	57,700	475,000	84,432	559,432
2026	2.00	245,000	52,900	490,000	73,692	563,692
2027-2031	2.00	1,350,000	184,900	1,865,000	216,626	2,081,626
2032-2035	2.00	1,050,000	53,000	1,050,000	53,000	1,103,000
Total		\$ 3,575,000	549,400	\$ 5,365,000	745,097	6,110,097

During the year ended June 30, 2021, the City paid \$315,000 of principal and \$113,363 of interest on the notes.

On March 13, 2012, the City issued \$1,920,000 of general obligation capital loan notes to provide funds for constructing streets and public grounds improvements. The notes bear interest ranging from .85% to 3.10% per annum and mature on June 1, 2027. During fiscal year 2021, the City paid principal of \$100,000 and interest of \$35,335 on the notes. The outstanding principal balance at June 30, 2021 was \$1,190,000.

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 2021, the City paid principal of \$165,000 and interest of \$2,145 on the notes. The notes were paid in full at June 30, 2021.

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 2021, the City paid principal of \$50,000 and interest of \$13,533 on the notes. The outstanding principal balance at June 30, 2021 was \$600,000.

On July 7, 2020, the City issued \$3,575,000 of general obligation capital loan notes to provide funds for constructing street and public ground improvements. The notes bear interest at 2.00% per annum and mature on June 1, 2035. During fiscal year 2021, the City paid interest of \$64,350 on the notes. The outstanding principal balance at June 30, 2021 was \$3,575,000.

#### Capital Loan Note – Direct Borrowing

On March 22, 2021, the City entered into an Iowa Water Pollution Control Works Financing Program agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$271,000 of interest free sewer revenue capital loan notes anticipation project note. The notes were issued pursuant to Chapter 76.13 of the Code of Iowa for the purpose of defraying the costs of planning and design improvements to the municipal sewer utility. The City will draw down funds from IFA upon request to reimburse the City for costs as they are incurred. During the year ended June 30, 2021, the City had not drawn down any funds of the authorized amount. As of June 30, 2021 a final repayment schedule had not yet been adopted.

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

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$60,269.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$460,038 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 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, 2020, the City's proportion was 0.006549%, which was an increase of 0.000114% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$94,140, \$123,950 and \$64,319, 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 in 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 geometric 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	100.0%	

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	\$ 881,146	460,038	107,095

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

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$153,420 and plan members eligible for benefits contributed \$27,407 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 City of La Porte City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>11</u>
Total	<u><u>12</u></u>

**(6) Operating Leases**

The City entered 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 2023 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, 2021:

<u>Year Ending</u> <u>June 30,</u>	<u>Copiers</u>
2022	\$ 2,543
2023	1,086
2024	<u>300</u>
Total	<u><u>\$ 3,929</u></u>

Rental expense for the year ended June 30, 2021 for these operating leases totaled \$3,978.

**(7) Compensated Absences**

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 13,000
Sick leave	<u>58,000</u>
Total	<u>\$ 71,000</u>

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

**(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>
General	Special Revenue: Library and Musuem	<u>\$ 14,572</u>
Special Revenue: Road Use Tax	Special Revenue: Tax Increment Financing	<u>25,000</u>
Debt Service	Special Revenue: Tax Increment Financing	113,787
	Enterprise: Sewer	<u>43,745</u>
		<u>157,532</u>
Capital Projects	Special Revenue: Library and Musuem	1,875
	Enterprise: Sewer	<u>196,254</u>
		<u>198,129</u>
Total		<u>\$ 395,233</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, 2021, no repayments were made, leaving a balance of \$45,000.

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 Trails projects, respectively. During the year ended June 30, 2021, no payments were made, leaving balances of \$100,000 and \$10,000.

Also, during the year ended June 30, 2019, the Special Revenue, Road Use Tax Fund loaned \$25,000 to the Capital Projects Fund for the Sweet Addition project. The loan was certified as a tax increment obligation and will be repaid from the Special Revenue, Tax Increment Fund to the Special Revenue, Road Use Tax Fund. During the year ended June 30, 2021, \$25,000 was repaid to the Special Revenue, Road Use Tax Fund, paying off the remaining balance.

During the year ended June 30, 2020, the Special Revenue, Road Use Tax Fund loaned \$250,000 to the Capital Projects Fund for the Main Street Rehabilitation project. During the year ended June 30, 2021, no repayments were made, leaving a balance of \$250,000.

**(10) Risk Management**

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

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

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

Upon receipt of loan payments from the businesses, the funds remain in the Revolving Loan Account for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to the City. The City had two loans outstanding at June 30, 2021.

The outstanding loan receivable of the General Fund, Revolving Loan Account at June 30, 2021 is as follows:

<u>Business</u>	<u>Date of Loan</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term of Loan</u>	<u>Balance at June 30, 2021</u>
Great Plains Survey, Inc.	Oct 2, 2017	\$ 24,126	3.0%	5 years	\$ 6,642
L&G Hardware, LLC.	Jul 7, 2020	50,000	0.0-3.0	6 years	50,000
					<u>\$ 56,642</u>

**(12) COVID-19**

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

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

**(13) Subsequent Events**

In February 2022, the City issued \$1,395,000 in general obligation capital loan notes, series 2022, to pay the costs of a street sweeper and refunding of the general obligation capital loan notes, series 2012. The notes are payable from the continuing annual levy of taxes against all taxable property of the City.

In March 2022, the City issued \$165,160 in sewer revenue capital loan notes anticipation project note – direct borrowing, series 2022, for the purpose of defraying the costs of planning and design improvements to the municipal sewer utility.

**(14) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

## **Other Information**

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 1,079,324	-	-	1,079,324
Tax increment financing	144,462	-	-	144,462
Other city tax	348,300	-	-	348,300
Licenses and permits	23,368	-	-	23,368
Use of money and property	10,598	3,148	-	13,746
Intergovernmental	1,295,333	5,473	-	1,300,806
Charges for service	299,931	490,302	-	790,233
Miscellaneous	544,975	5,582	21,140	529,417
Total receipts	3,746,291	504,505	21,140	4,229,656
Disbursements:				
Public safety	765,058	-	7,794	757,264
Public works	715,257	-	-	715,257
Health and social services	15,224	-	-	15,224
Culture and recreation	354,389	-	217	354,172
Community and economic development	72,376	-	-	72,376
General government	259,117	-	-	259,117
Debt service	460,482	-	-	460,482
Capital projects	5,048,924	-	-	5,048,924
Business type activities	-	619,752	-	619,752
Total disbursements	7,690,827	619,752	8,011	8,302,568
Excess (deficiency) of receipts over (under) disbursements	(3,944,536)	(115,247)	13,129	(4,072,912)
Other financing sources, net	3,955,892	(239,999)	-	3,715,893
Change in balances	11,356	(355,246)	13,129	(357,019)
Balances beginning of year	2,228,499	726,700	27,030	2,928,169
Balances end of year	\$ 2,239,855	371,454	40,159	2,571,150

See accompanying independent auditor's report.

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<u>Budgeted Amounts</u>		Final to
Original	Final	Total
		Variance
1,070,822	1,070,822	8,502
141,000	141,000	3,462
302,054	302,054	46,246
22,825	22,825	543
55,750	45,750	(32,004)
1,343,183	1,737,183	(436,377)
736,450	738,950	51,283
146,515	215,515	313,902
<u>3,818,599</u>	<u>4,274,099</u>	<u>(44,443)</u>
636,705	809,705	52,441
819,225	862,725	147,468
11,017	18,517	3,293
397,212	426,812	72,640
26,000	101,000	28,624
229,415	271,915	12,798
365,513	464,013	3,531
3,125,000	5,540,575	491,651
1,440,719	1,277,434	657,682
<u>7,050,806</u>	<u>9,772,696</u>	<u>1,470,128</u>
(3,232,207)	(5,498,597)	1,425,685
-	3,920,000	(204,107)
<u>(3,232,207)</u>	<u>(1,578,597)</u>	<u>1,221,578</u>
5,796,584	5,796,584	(2,868,415)
<u>2,564,377</u>	<u>4,217,987</u>	<u>(1,646,837)</u>



**City of La Porte City**

La Porte City

Notes to Other Information – Budgetary Reporting

June 30, 2021

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, three budget amendments increased budgeted disbursements by \$2,721,890. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded amounts budgeted the public safety, health and social services, community and economic development and debt service functions prior to budget amendment.

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City of La Porte City

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.006549%	0.006435%	0.006107%	0.006204%
City's proportionate share of the net pension liability	\$ 460	373	386	413
City's covered payroll	\$ 634	722	664	658
City's proportionate share of the net pension liability as a percentage of its covered payroll	72.56%	51.66%	58.13%	62.77%
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.

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2017	2016	2015
0.006639%	0.006278%	0.005706%
418	310	226
655	661	625
63.82%	46.90%	36.16%
81.82%	85.19%	87.61%

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City of La Porte City  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

		2021	2020	2019	2018
Statutorily required contribution	\$	60	68	70	61
Contributions in relation to the statutorily required contribution		(60)	(68)	(70)	(61)
Contribution deficiency (excess)	\$	-	-	-	-
City's covered payroll	\$	634	705	722	664
Contributions as a percentage of covered payroll		9.46%	9.65%	9.70%	9.19%

See accompanying independent auditor's report.

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2017	2016	2015	2014	2013	2012
61	60	61	58	55	36
(61)	(60)	(61)	(58)	(55)	(36)
-	-	-	-	-	-
658	655	661	625	598	511
9.27%	9.16%	9.23%	9.28%	9.20%	7.05%

City of La Porte City

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**



City of La Porte City

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

As of and for the year ended June 30, 2021

		Special	
	Employee	Tax	LPC
	Benefits	Increment	Firefighters
		Financing	Association
Receipts:			
Property tax	\$ 229,531	-	-
Tax increment financing	-	144,462	-
Other city tax	497	-	-
Intergovernmental	2,076	-	-
Miscellaneous	-	-	4,991
Total receipts	232,104	144,462	4,991
Disbursements:			
Operating:			
Public safety	78,487	-	2,300
Public works	40,227	-	-
Culture and recreation	23,236	-	-
General government	19,006	-	-
Total disbursements	160,956	-	2,300
Excess (deficiency) of receipts over (under) disbursements	71,148	144,462	2,691
Other financing uses:			
Transfers out	-	(138,787)	-
Change in cash balances	71,148	5,675	2,691
Cash balances beginning of year	31,979	9,291	19,552
Cash balances end of year	\$ 103,127	14,966	22,243
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	14,966	-
Other purposes	103,127	-	22,243
Total cash basis fund balances	\$ 103,127	14,966	22,243

See accompanying independent auditor's report.

<u>Revenue</u>		
<u>LPC Police Association</u>	<u>Friends of the Museum</u>	<u>Total</u>
-	-	229,531
-	-	144,462
-	-	497
-	-	2,076
6,634	9,515	21,140
6,634	9,515	397,706
5,494	-	86,281
-	-	40,227
-	217	23,453
-	-	19,006
5,494	217	168,967
1,140	9,298	228,739
-	-	(138,787)
1,140	9,298	89,952
4,540	2,938	68,300
5,680	12,236	158,252
-	-	14,966
5,680	12,236	143,286
5,680	12,236	158,252

City of La Porte City

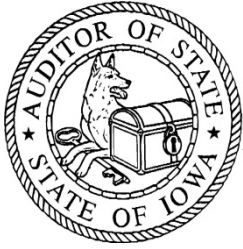
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018
<b>Receipts:</b>				
Property tax	\$ 1,079,324	1,054,060	963,974	963,291
Tax increment financing	144,462	184,950	185,052	195,599
Local option sales tax	346,064	298,045	301,368	274,770
Other city tax	2,236	1,514	-	-
Licenses and permits	23,368	23,945	24,689	22,696
Use of money and property	10,598	31,550	41,125	28,440
Intergovernmental	1,295,333	525,134	510,861	789,055
Charges for service	299,931	278,208	279,536	283,606
Miscellaneous	544,975	184,564	335,230	230,070
<b>Total</b>	<b>\$ 3,746,291</b>	<b>2,581,970</b>	<b>2,641,835</b>	<b>2,787,527</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 765,058	496,690	754,846	636,464
Public works	715,257	761,938	756,079	742,506
Health and social services	15,224	8,716	8,685	8,755
Culture and recreation	354,389	352,573	357,484	422,861
Community and economic development	72,376	8,560	235	33,512
General government	259,117	196,743	214,821	201,404
Debt service	460,482	378,288	359,243	453,113
Capital projects	5,048,924	268,951	118,552	394,390
<b>Total</b>	<b>\$ 7,690,827</b>	<b>2,472,459</b>	<b>2,569,945</b>	<b>2,893,005</b>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
954,829	922,017	914,315	905,527	819,070	781,888
154,135	139,168	123,674	149,006	146,534	168,031
310,908	279,050	280,000	294,079	277,129	293,716
-	-	-	-	-	-
27,727	27,840	41,257	43,439	28,700	22,815
26,848	27,998	29,616	38,268	40,908	21,747
752,503	452,541	373,221	426,244	322,697	432,159
281,756	278,451	270,336	271,210	243,052	250,557
148,991	367,261	194,047	182,226	560,243	196,988
<u>2,657,697</u>	<u>2,494,326</u>	<u>2,226,466</u>	<u>2,309,999</u>	<u>2,438,333</u>	<u>2,167,901</u>
499,277	509,427	582,894	504,679	560,105	652,402
699,123	739,423	524,322	1,192,529	461,441	492,241
8,313	8,180	5,590	11,059	3,052	5,342
342,553	375,601	365,335	472,540	379,199	385,105
6,765	50,717	95,441	40,841	59,581	16,272
178,732	162,651	168,742	133,875	133,445	144,774
468,329	387,953	384,348	414,555	2,204,916	463,221
1,489,670	507,645	124,762	664,951	563,011	85,715
<u>3,692,762</u>	<u>2,741,597</u>	<u>2,251,434</u>	<u>3,435,029</u>	<u>4,364,750</u>	<u>2,245,072</u>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, 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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

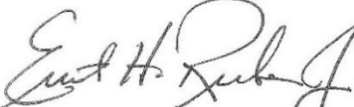
### The City of La Porte City's Responses to the Findings

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

### Purpose of this Report

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

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

  
Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

March 30, 2022

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

(A) Segregation of Duties

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

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

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

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

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

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

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2021

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 will continue to review operating procedures and processes with the goal of improving internal controls and oversight where possible.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of La Porte City

Schedule of Findings

Year ended June 30, 2021

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

- (1) Certified Budget – Disbursements in the public safety, health and social services, community and economic development and debt service functions exceeded the amount budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will monitor future budgets to ensure amendments are done in a timely manner.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Lowes	Sales tax	\$ 29
Amazon	Sales tax	19
Farmer's State Bank	Late fees	1

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

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

Response – The City has secured a tax-exempt account from Amazon for purchases. Staff will be reminded that all purchases must be tax exempt.

Conclusion – Response accepted.

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

City of La Porte City

Schedule of Findings

Year ended June 30, 2021

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jane Whittlesey, City Clerk, Co-owner, La Porte City Printing and Design, Inc.	Legal publications	\$ 2,800
Jasmine Gaston, Council Member, Co-owner of Henninger Electric	Electrical work	494

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

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

- (3) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (4) 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.
- (5) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (6) 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.
- (7) 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:

Ernest H. Ruben, Jr., CPA, Deputy  
Cole L. Hocker, CPA, Manager  
Kelly L. Hilton, Senior Auditor  
William R. Bamber, Staff Auditor  
Matthew W. Beerman, Assistant Auditor