CITY OF LA PORTE CITY

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

JUNE 30, 2016

Table of Contents

		Page
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-11
Basic Financial Statements:	Exhibit	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	13-14
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	15-16
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	17
Notes to Financial Statements		18-28
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Other Information – Budgetary Reporting		32
Schedule of the City's Proportionate Share of the Net Pension Liability		33
Schedule of the City Contributions		34-35
Notes to Other Information – Pension Liability		36
Supplementary Information:	Schedule	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	38-39
Schedule of Indebtedness	2	40-41
Bond and Note Maturities	3	42
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	43-44
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		46-47
Schedule of Findings		48-50

City of La Porte City

Officials

(Before January 2016)

Name	Title	Expires
David Neil	Mayor	Jan 2018
Todd Butler	Council Member	Jan 2016
Sarah Craft	Council Member	Jan 2016
Mike Johnson	Council Member	Jan 2016
Eric Allsup	Council Member	Jan 2018
Brent Sadler	Council Member	Jan 2018
Jane Whittlesey	Clerk	Indefinite
Kevin Ahrenholz	Attorney	Indefinite

(After January 2016)

Name	Title	Expires
David Neil	Mayor	Jan 2018
Eric Allsup	Council Member	Jan 2018
Brent Sadler	Council Member	Jan 2018
Mike Johnson	Council Member	Jan 2020
Kristi Harrill	Council Member	Jan 2020
David Williams	Council Member	Jan 2020
Jane Whittlesey	Clerk	Indefinite
Kevin Ahrenholz	Attorney	Indefinite

City of La Porte City

RFSW Ridihalgh Fuelling Snitker Weber & Co.
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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, 2016, and the related notes to the 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, 2016, 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.

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Basis of Accounting

As described 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 nine years ended June 30, 2015 (which are not presented herein) and expressed an unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the City's 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 7 through 11 and 30 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2016 on our consideration of the City of La Porte City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

December 22, 2016

LA PORTE CITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

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

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 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

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader 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 - 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 are funded primarily through property tax, local option sales tax, road use tax and state and federal grants. Governmental Activities include the following:

Public Safety – includes police operations, fire protection, building inspections and animal control services

Public Works – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning

Health and Social Services – includes welfare assistance

Culture and Recreation – includes library services, parks, recreation, pool, community center and museum

Community and Economic Development – includes economic development, housing rehab, and tax increment financing

General Government – includes mayor, city council, city clerk/treasurer, legal services, and city hall administrative and building needs

Debt Service – includes principal and interest payments for debt repayment

Capital Projects – major projects including street and infrastructure improvements.

Business Type Activities include the ambulance service and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements - The City has two kinds of funds:

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

Proprietary funds are also known as Business-Type funds. These funds, which include Ambulance and Sewer services, are generally self-sufficient and are considered to be major funds of the City.

The required financial statements for Governmental and Proprietary Funds include statements of cash receipts, disbursements and changes in cash balances.

Basic Financial Statements

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

Statement of Activities and Net Position – Cash Basis (Exhibit A)

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result is a Net (Disbursement) Receipts and Change in Cash Basis Net Position, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax, Local Option Sales Tax Unrestricted Interest and Bond Proceeds*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net position end of year as $3,404,371, compared to net position beginning of the year of $2,761,227, an increase of $643,144.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Governmental Funds (Exhibit B)

The City maintains ten funds under the "Governmental" classification. The column titled *General* includes activity in the General and the Economic Development funds. The column titled *Other Nonmajor Governmental Funds* includes activity for the Trust I (Employee Benefits) Fund, the TIF Fund, the Low to Moderate Income Fund, and the Trust II Fund (established to track memorials, bequests, and contributions). More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Funds (Exhibit C)

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees). The two proprietary funds for the City are the Ambulance and the Sewer Funds.

Budgetary Highlights

Over the course of the fiscal year the City amended its budget twice. The first amendment was approved on October 26, 2015 and provided for additional disbursements and revenues. Expenditures for street projects, and planned spending on the Downtown Façade Grant projects made up the largest portion of the amendments. Other expenditure amendments included capital equipment and vehicle purchases funded from reserves. Revenue amendments included a planned general obligation borrowing for street construction.

The second amendment was approved May 23rd, 2016 and provided for reductions in disbursements. Expenditures for the Bishop Avenue street reconstruction, and waste water treatment plant improvements were reduced by $1.25 million as the start of both projects were delayed.

2016 Financial Highlights

Revenues (not including transfers in) increased $1,135,969 from FY15 to FY16. This increase is a result of the sale of City property, including the City's Public Works buildings ($150,000) and the sale of lots at the Sweet Addition ($70,000) as well as proceeds from the issuance of $850,000 in General Obligation Debt for the Bishop Avenue reconstruction project.

From FY15 to FY16 disbursements (not including transfers out) increased $608,397. This increase can be attributed to large capital projects including the completion of overlay work on West Main, Third Street, Anton and Palmer Drive. In addition, the City purchased property for the construction of a new Public Works Facility.

The La Porte City Fire Association and La Porte City Police Association are both considered component units of the City for audit purposes. Revenues from the component units totaled $19,406 and expenditures totaled $18,528 for a net increase in cash balances of $878.
In addition, the financial information for La Porte City Utilities is also a required part of the City's audit. The City has opted to present condensed financial information for this discreetly presented component

unit. Disbursement and receipts for La Porte City Utilities are included as part of Exhibit A, Cash Basis Statement of Activities and Net Position.

Debt Administration

As of June 30, 2016, the City had $3,495,000 in debt outstanding compared to $2,980,000 in 2015. The increase in outstanding debt is a result of the issuance of $850,000 in General Obligation Bonds for the Bishop Avenue reconstruction project.

Outstanding Debt at Year End June 30,	2016	2015
General obligation capital loan notes (Series 2016)	$ 850,000	
General obligation capital loan notes (Series 2013)	$ 980,000	$1,220,000
General obligation capital loan notes (Series 2012)	$1,665,000	$1,760,000
Total	$3,495,000	$2,980,000

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 $3,495,000 is below its constitutional debt limit of $5.66 million.

TIF Rebates

In 2006 the State redesigned the TIF certification process. House File 2777 mandates that once TIF indebtedness is certified to the County Auditor, the County Auditor shall provide for TIF increment taxes in subsequent years without further certification, until the amount certified is paid to the municipality. This allows the City to either submit a one-time certification for the total amount to be collected in a TIF district over the life of an agreement, or to certify annually a specific amount to be collected from a TIF district. The City certified TIF debt for three projects in November 2014, to be collected in Fiscal Year 2016:

Family Aquatic Center ($120,000) – when approving the issuance of debt for the new aquatic center, the City Council approved using a combination of TIF funds and a debt service levy to make the annual payments on the bonds. This is the eleventh of fifteen years for this certification.

Witham Development Agreement ($339)– the City Council agreed to make the interest payments on an eight-year loan Witham received through Black Hawk Economic Development Corporation. The loan enabled Witham to rebuild and expand the business center following a substantial fire. Economic Development Fund reserves were used to make the interest payments until such time as property taxes on the new value could be recovered. These reserves will be paid back with the final TIF certification after all interest payments have been made. This is the sixth and final year for this certification.

Sweet Subdivision ($10,825) – when approving the issuance of debt for a new subdivision, the City Council approved using a combination of TIF funds and proceeds from lot sales to make the annual payments on the bonds as well as pay back of interfund loans that were utilized for the debt service payments before sufficient increment was realized. This is the second of ten years for this certification.

NOTE: In 2012, the State instituted new reporting requirements for TIF, and placed restrictions on the use of TIF funds for Cities. These changes went into effect July 1, 2012. While these new restrictions have not yet had an impact on the City's use of Tax Increment Financing, City staff will continue to assess their effect on current and future TIF agreements.

Economic Factors and Next Year's Budgets

The City of La Porte City's elected and appointed officials and department heads considered many factors when setting the FY17 budget, tax rates and fees that will be charged for various City activities.

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

In pursuit of improvements to the City's commercial district, in FY15, the City applied for a Façade Improvement Grant from the Iowa Economic Development Authority. The grant, in the amount of $480,000 was awarded. Work on the project began in the fall of 2016 and is expected to be completed in spring of 2017.

In 2013, the Iowa Legislature enacted the Commercial Tax Reform Act. The new legislation provided a 90% rollback for commercial properties in the State. The full impact of reduction in tax revenues has not been realized, as the State fully backfilled the rollback for FY15 and FY16. For FY17 and future years, the amount of backfill is to be frozen at the FY17 level and allocated among cities. However, the future of this standing appropriation remains unclear as the State struggles with its own revenue shortfalls.

Also of fiscal concern for cities is the new property class established for multi-residential properties, which will take effect in FY17 (also part of the Commercial Tax Reform Act of 2013). The new legislation allows for the reclassification of that portion of commercial properties intended for human habitation to residential instead of commercial. This newly reclassified property will see its taxable valuation rolled back to match those of residential properties over an eight year period. For FY17, the City will see a reduction in taxable value of approximately $58,000 as approximately $1.5 million in property valuation is reclassified from commercial to multi residential.

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.

Basic Financial Statements

City of La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	$ 509,427	15,821	57,542	-
Public works	739,423	217,450	291,519	-
Health and social services	8,180	7,254	-	-
Culture and recreation	375,601	49,244	29,002	-
Community and economic development	50,717	900	-	-
General government	162,651	15,622	13,222	-
Debt service	387,953	-	2,948	-
Capital projects	507,645	-	-	88,224.00
Total governmental activities	2,741,597	306,291	394,233	88,224
Business type activities:				
Sewer	286,586	322,329	-	-
Ambulance	139,351	110,415	35,072	-
Total business type activities	425,937	432,744	35,072	-
Total Primary Government	$ 3,167,534	739,035	429,305	88,224
Component Unit:				
La Porte City Utilities	$ 2,424,431	2,493,337		

General Receipts and Transfers:
Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
Expendable:
Debt service
Capital projects
Urban renewal purposes
Streets
Other purpose
Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	La Porte City Utilities
(436,064)	-	(436,064)	
(230,454)	-	(230,454)	
(926)	-	(926)	
(297,355)	-	(297,355)	
(49,817)	-	(49,817)	
(133,807)	-	(133,807)	
(385,005)	-	(385,005)	
(419,421)	-	(419,421)	
(1,952,849)	-	(1,952,849)	
-	35,743	35,743	
-	6,136	6,136	
-	41,879	41,879	
(1,952,849)	41,879	(1,910,970)	
			68,906
741,393	-	741,393	-
180,624	-	180,624	-
139,168	-	139,168	-
279,050	-	279,050	-
17,488	2,839	20,327	2,511
843,190	-	843,190	-
347,855	2,507	350,362	-
42,013	(42,013)	-	-
2,590,781	(36,667)	2,554,114	2,511
637,932	5,212	643,144	71,417
2,200,938	560,289	2,761,227	1,779,510
$ 2,838,870	565,501	3,404,371	1,850,927
$ 36,877	-	36,877	-
244,142	-	244,142	-
88,535	-	88,535	-
1,224,324	-	1,224,324	-
163,492	-	163,492	388,680
1,081,500	565,501	1,647,001	1,462,247
$ 2,838,870	565,501	3,404,371	1,850,927

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, 2016

	General	Special Revenue: Equipment Replacement	Special Revenue: Road Use Tax	Debt Service	Capital Project
Receipts:					
Property tax	$ 575,672	-	-	180,624	-
Tax increment financing collections	-	-	-	-	-
Other city tax	279,050	-	-	-	-
Licenses and permits	27,840	-	-	-	-
Use of money and property	17,488	5,710	-		-
Intergovernmental	76,077	-	282,379	2,948	-
Charges for service	275,712	2,739	-	-	-
Miscellaneous	91,916	17,496	-	-	220,128
Total receipts	1,343,755	25,945	282,379	183,572	220,128
Disbursements:					
Operating:					
Public safety	427,444	-	-	-	-
Public works	411,147	-	270,975	-	-
Health and social services	8,180	-	-	-	-
Culture and recreation	349,105	-	-	-	-
Community and economic development	18,262	-	-	-	-
General government	149,804	-	-	-	-
Debt service	-	-	-	387,953	-
Capital projects	-	-	-	-	383,193
Total disbursements	1,363,942	-	270,975	387,953	383,193
Excess(deficiency) of receipts over (under) disbursements	(20,187)	25,945	11,404	(204,381)	(163,065)
Other financing sources (uses):					
Bond Proceeds	-	-	-	843,190	-
Operating transfers in	68,660	35,500	16,743	206,915	843,190
Operating transfers out	(69,909)	(132,966)	-	(843,190)	(51,000)
Total other financing sources (uses)	(1,249)	(97,466)	16,743	206,915	792,190
Change in cash balances	(21,436)	(71,521)	28,147	2,534	629,125
Cash balances beginning of year	507,815	397,243	440,319	32,010	285,427
Cash balances end of year	$ 486,379	325,722	468,466	34,544	914,552
Cash Basis Fund Balances					
Restricted for:					
Expendable:					
Debt service	$ -	-	-	34,544	-
Capital projects	-	-	-	-	126,255
Urban renewal purposes	88,491	-	-	-	-
Streets	-	-	468,466	-	755,858
Other purpose	-	-	-	-	32,439
Committed	-	283,496	-	-	-
Assigned	1,558	42,226	-	-	-
Unrestricted	396,330	-	-	-	-
Total cash basis fund balances	$ 486,379	325,722	468,466	34,544	914,552

See notes to financial statements

Trust & Agency	Other Nonmajor Governmental Funds	Total
-	165,721	922,017
-	139,168	139,168
-	-	279,050
-	-	27,840
4,800	-	27,998
-	91,137	452,541
-	-	278,451
18,315	19,406	367,261
23,115	415,432	2,494,326
98	81,885	509,427
-	57,301	739,423
-	-	8,180
304	26,192	375,601
-	32,455	50,717
-	12,847	162,651
-	-	387,953
-	124,452	507,645
402	335,132	2,741,597
22,713	80,300	(247,271)
-	-	843,190
112	125,240	1,296,360
(26,637)	(130,645)	(1,254,347)
(26,525)	(5,405)	885,203
(3,812)	74,895	637,932
435,534	102,590	2,200,938
431,722	177,485	2,838,870
-	2,333	36,877
-	117,887	244,142
-	44	88,535
-	-	1,224,324
73,832	57,221	163,492
-	-	283,496
357,890	-	401,674
-	-	396,330
431,722	177,485	2,838,870

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, 2016

	Sewer	Ambulance	Total
Operating receipts:			
Charges for service	322,329	110,415	432,744
Miscellaneous	-	2,507	2,507
Total operating receipts	322,329	112,922	435,251
Operating disbursements:			
Business type activities	286,586	139,351	425,937
Total operating disbursements	286,586	139,351	425,937
Excess of operating receipts over operating disbursements	35,743	(26,429)	9,314
Non-operating receipts			
Intergovernmental	-	35,072	35,072
Interest on investments	2,430	409	2,839
Net non-operating receipts	2,430	35,481	37,911
Excess of receipts over disbursements	38,173	9,052	47,225
Other financing sources (uses):			
Transfers in	-	-	-
Transfers (out)	(42,013)	-	(42,013)
Total other financing sources (uses)	(42,013)	-	(42,013)
Change in cash balances	(3,840)	9,052	5,212
Cash balances beginning of year	403,381	156,908	560,289
Cash balances end of year	$ 399,541	165,960	565,501
Cash Basis Fund Balances			
Unrestricted	$ 399,541	165,960	565,501
Total cash basis fund balances	$ 399,541	165,960	565,501

See notes to financial statements

(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, general government services, as well as garbage services which are included in the general fund. 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.

Blended Component Units

The La Porte City Police Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The 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. Although the Association is legally separate from the City, its purpose is to benefit the City of La Porte City (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The La Porte City Fire Fighters Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The 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. Although the Association is legally separate from the City, its purpose is to benefit the City of La Porte City (the primary government) by providing the above services and by soliciting contributions and managing those funds.

Discretely Presented Component Unit

The La Porte City Utilities (LPCU) is presented in a separate column to emphasize it is legally separate from the City, but it is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Utility was established to operate 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.

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: City of Waterloo Building Department, Townships of the following: Big Creek, Spring Creek, Eagle Poyner, Cedar and Poyner in Black Hawk County, Bruce and Cedar in Benton County, Tri-County Drug Task Force, Northeast Iowa Response Group, Mutual Aid Fire – Buchanan County, Black Hawk County, and the City of Waterloo, Digital Data – Black Hawk County, Criminal Justice Info System, Black Hawk Consolidated Public Safety Communications Agreement, Union Community School District – Tennis Courts, Use of Buses, Use of Aquatic Center, and Community Orchard, Mutual Aid – Covenant Health System and Statewide.

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly

benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 that are not paid from other funds.

Special Revenue:

The Equipment Replacement Fund is utilized as a savings fund for large equipment purchases for each department.

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

The Capital Projects Fund is utilized to account for the revenues and disbursements for street projects.

The Trust & Agency Fund is utilized to account for the contributions, fundraisers, and grants for City departments and expenditures by those departments for special items.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and

results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2016 were entirely covered by federal depository insurance, by the State Sinking Fund, or by a letter of credit in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure 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 as of June 30, 2016, however the time deposits are as follows:

Type	Carrying Amount	Fair Value	Maturity
Certificates of Deposit	$ 276,139	$ 276,139	Various Dates

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2017	$ 64,829	390,000
2018	61,198	390,000
2019	57,078	300,000
2020	53,438	310,000
2021	49,013	315,000
2022-2026	163,973	1,275,000
2027-2031	31,725	515,000
	$ 481,252	3,495,000

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

During the year ended June 30, 2007 the Council approved an interfund loan from the Sewer Fund to the Economic Development Fund for $90,000. There were no payments made during the year and the balance of the loan remaining to be paid is $45,000.

During the year ended June 30, 2008 the Council approved an interfund loan from the Special Revenue – Road Use Tax Fund to the Capital Project – Sweet Fund for $46,909. For the current year, $11,781 was repaid to the Special Revenue – Road Use Tax Fund leaving the loan balance at $35,128. As of June 30, 2016, no other payments have been made.

During the year ended June 30, 2009 the Council approved an interfund loan from the Special Revenue – Equipment Replacement Fund to the Debt Service Fund for $41,000, an interfund loan of $39,274 from the General Fund to the Debt Service Fund, an interfund loan of $5,513 from Special Revenue – Road Use Tax Fund to the Capital Project – Sweet Fund, and an interfund loan of $4,714 from the Economic Development Fund to the Special Revenue - Tax Increment Financing Fund. For the current year, $4,962 was paid to the Special Revenue – Road Use Tax Fund leaving the interfund loan balances of these funds as $36,647 and $20 respectively. As of June 30, 2016, no other payments have been made.

During the year ended June 30, 2010 the Council approved an interfund loan from the Economic Development Fund to the Special Revenue - Tax Increment Financing Fund for $4,089 and an interfund loan from the General Fund to the Debt Service Fund for $38,418. As of June 30, 2016, the balances of the inter-fund loans are $4,089 and $34,576 respectively.

During the year ended June 30, 2011 the Council approved an interfund loan from the General Fund to the Capital Projects Fund for $12,250. As of June 30, 2016, the balance of the inter-fund loan had not been paid.

During the year ended June 30, 2012 the Council approved an interfund loan from the General Fund to the Debt Service Fund for $51,000. As of June 30, 2016, the balance of the inter-fund loan had not been paid.

(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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2016 totaled $60,210.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of $310,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the City's proportion was 0.006278%, which was an increase of 0.000573% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled $35,276, $87,312 and $117,643, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	$663,815	310,165	111,813

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	$ 8,710
Sick leave	51,178
Total	$ 59,888

This liability has been computed based on rates of pay in effect at June 30, 2016.

(6) Contracts and Commitments

The City entered into a lease with Advanced Systems on September 4, 2012 for a copier at City Hall. The lease is 60 payments of $154. The City paid a total of $1,844 in lease payments for the fiscal year.

The City had various construction projects ongoing throughout the year. Unpaid contract commitments as of June 30, 2016 totaled $1,170,073. The balance on these contracts will be paid as work on the projects progresses.

The City approved a reimbursement agreement with the Iowa Department of Transportation for a road rehabilitation project of Highway 218 that runs through the City. The IDOT completed the project in 2012, including replacement of the sanitary sewer along the highway. The City will reimburse the IDOT for the sanitary sewer portion of the project for $289,000 when invoiced.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue:	
	Equipment Replacement	$ 32,966
	Trust & Agency	13,397
		46,363
General Fund:		
Economic Development	General Fund	9,297
Special Revenue:		
Equipment Replacement	General Fund	35,500
Special Revenue:		
Road Use Tax	Special Revenue:	
	Tax Increment Financing	16,743
Debt Service	Special Revenue	
	Tax Increment Financing	113,902
	Capital Projects	51,000
	Enterprise:	
	Sewer	42,013
		206,915
Capital Projects	Special Revenue	
	Equipment Replacement	100,000
	General Fund	25,000
	Debt Service	843,190
	Trust & Agency	240
		968,430
Trust & Agency	General Fund	13,112
Total		$1,296,360

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling $11,716 during the year ended June 30, 2016.

(9) 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.

(10) Litigation

The City was not subject to any pending litigation during the year.

(11) Subsequent Events

In July 2016, the City entered into a construction contract for a downtown façade project totaling $830,450.

(12) New Accounting Pronouncement

The City of La Porte City has adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of La Porte City

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	$ 922,017	-	-
Tax increment financing collections	139,168	-	-
Other city tax	279,050	-	-
Licenses and permits	27,840	-	-
Use of money and property	27,998	2,839	-
Intergovernmental	452,541	35,072	-
Charges for service	278,451	432,744	-
Miscellaneous	367,261	2,507	19,406
Total receipts	2,494,326	473,162	19,406
Disbursements:			
Public safety	509,427	-	18,528
Public works	739,423	-	-
Health and social services	8,180	-	-
Culture and recreation	375,601	-	-
Community and economic development	50,717	-	-
General government	162,651	-	-
Debt service	387,953	-	-
Capital projects	507,645	-	-
Business type activities	-	425,937	-
Total disbursements	2,741,597	425,937	18,528
Excess of receipts over disbursements	(247,271)	47,225	878
Other financing sources (uses), net	885,203	(42,013)	-
Excess of receipts and other financing sources over disbursements and other financing uses	637,932	5,212	878
Balances beginning of year	2,200,938	560,289	21,940
Balances end of year	$ 2,838,870	565,501	22,818

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
922,017	918,831	918,831	3,186
139,168	137,082	137,082	2,086
279,050	297,500	297,500	(18,450)
27,840	38,675	38,675	(10,835)
30,837	26,400	81,265	(50,428)
487,613	415,558	1,054,108	(566,495)
711,195	680,650	680,650	30,545
350,362	109,100	131,200	219,162
2,948,082	2,623,796	3,339,311	(391,229)
490,899	529,877	540,142	49,243
739,423	645,180	874,705	135,282
8,180	6,297	9,297	1,117
375,601	374,847	414,572	38,971
50,717	64,750	75,125	24,408
162,651	139,685	162,735	84
387,953	389,803	389,803	1,850
507,645	134,000	1,387,500	879,855
425,937	1,404,635	494,560	68,623
3,149,006	3,689,074	4,348,439	1,199,433
(200,924)	(1,065,278)	(1,009,128)	808,204
843,190	51,000	858,250	(15,060)
642,266	(1,014,278)	(150,878)	793,144
2,739,287	2,462,838	2,739,286	1
3,381,553	1,448,560	2,588,408	793,145

City of La Porte City

Notes to Other Information – Budgetary Reporting

June 30, 2016

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, excluding the component units. The annual budget may be amended during the year utilizing 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, 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, a budget amendment increased budgeted disbursements by $659,365. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted in any functions.

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

Iowa Public Employees' Retirement System
Last Two Fiscal Years*

Other Information

	2016	2015
City's proportion of the net pension liability	0.005706%	0.005706%
City's Proportionate share of the net pension liability	$ 310,165	$ 226,277
City's covered-employee payroll	$ 654,833	$ 661,091
City's Proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.37%	34.23%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report.

City of La Porte City
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 8 Fiscal Years

Other Information

	2016	2015	2014
Statutorily required contribution	$ 60,210	61,465	57,950
Contributions in relation to the statutorily required contribution	(60,210)	(61,465)	(57,950)
Contribution deficiency (excess)	$ -	-	-
City's covered-employee payroll	654,833	661,091	624,657
Contributions as a percentage of covered-employee payroll	9.19%	9.30%	9.28%

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

See accompanying independent auditor's report.

2013	2012	2011	2010	2009
54,596	36,344	41,909	44,359	48,714
(54,596)	(36,344)	(41,909)	(44,359)	(48,714)
-	-	-	-	-
597,651	510,893	568,411	565,599	564,355
9.14%	7.11%	7.37%	7.84%	8.63%

City of La Porte City

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

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

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00 %
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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, 2016

	Special Revenue			
	Tax Increment Financing	Employee Benefits	Urban Renewal - LMI	LPC Fire Fighters Association
Receipts:				
Property tax	$ 139,168	165,721	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	2,913	-	-
Miscellaneous	-	-	-	19,296
Total receipts	139,168	168,634	-	19,296
Disbursements:				
Operating:				
Public safety	-	63,357	-	16,676
Public works	-	57,301	-	-
Health & social services	-	-	-	-
Culture and recreation	-	26,192	-	-
Community and economic development	6,811	-	25,644	-
General government	-	12,847	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	6,811	159,697	25,644	16,676
Excess (deficiency) of receipts over (under) disbursements	132,357	8,937	(25,644)	2,620
Other financing sources:				
Operating transfers in	-	-	-	-
Operating transfers (out)	(130,645)	-	-	-
Change in cash balances	1,712	8,937	(25,644)	2,620
Cash balances beginning of year	621	25,466	25,688	17,718
Cash balances end of year	$ 2,333	34,403	44	20,338
Cash Basis Fund Balances				
Restricted for:				
Expendable:				
Debt service	$ 2,333	-	-	-
Capital projects	-	-	-	-
Urban renewal purposes	-	-	44	-
Streets	-	-	-	-
Other purpose	-	34,403	-	20,338
Unrestricted	-	-	-	-
Total cash basis fund balances	$ 2,333	34,403	44	20,338

See accompanying independent auditor's report

	Capital Projects		
LPC Police Association	Downtown Revitalization Project	Wolf Creek Rehab	Total
-	-	-	304,889
-	-	-	-
-	-	-	-
-	88,224	-	91,137
110	-	-	19,406
110	88,224	-	415,432
1,852	-	-	81,885
-	-	-	57,301
-	-	-	
-	-	-	26,192
-	-	-	32,455
-	-	-	12,847
-	-	-	-
-	97,662	26,790	124,452
1,852	97,662	26,790	335,132
(1,742)	(9,438)	(26,790)	80,300
-	125,240	-	125,240
-	-	-	(130,645)
(1,742)	115,802	(26,790)	74,895
4,222	-	28,875	102,590
2,480	115,802	2,085	177,485
-	-	-	2,333
-	115,802	2,085	117,887
-	-	-	44
-	-	-	-
2,480	-	-	57,221
-	-	-	-
2,480	115,802	2,085	177,485

City of La Porte City

Schedule of Indebtedness

Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds/Notes:			
Corporate Purpose, Series 2012	March 13, 2012	0.85% - 3.10%	$ 1,920,000
Corporate Purpose & Refunding, Series 2013	May 28, 2013	0.35% - 1.30%	1,705,000
Corporate Purpose, Series 2016	May 24, 2016	1.00% - 2.75%	850,000.00

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,760,000	-	95,000	1,665,000	41,045
1,220,000	-	240,000	980,000	10,258
-	850,000	-	850,000	-
$ 2,980,000	850,000	335,000	3,495,000	51,303

City of La Porte City

Bond and Note Maturities

June 30, 2016

	General Obligation Notes						
	Capital Loan Note Series 2012		Capital Loan Note Series 2013		Capital Loan Note Series 2016		
Year	Issued March 13, 2012		Issued May 28, 2013		Issued May 24, 2016		
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2017	1.30	$ 95,000	0.65	245,000	1.00	50,000	390,000
2018	1.80	90,000	0.80	250,000	1.00	50,000	390,000
2019	1.80	90,000	0.95	160,000	1.00	50,000	300,000
2020	2.00	100,000	1.13	160,000	1.25	50,000	310,000
2021	2.00	100,000	1.30	165,000	1.25	50,000	315,000
2022	2.20	205,000		-	1.50	50,000	255,000
2023	2.35	210,000		-	1.50	55,000	265,000
2024	2.50	220,000		-	1.80	55,000	275,000
2025	2.75	180,000		-	1.80	55,000	235,000
2026	3.00	185,000		-	2.10	60,000	245,000
2027	3.10	190,000		-	2.10	60,000	250,000
2028		-		-	2.40	65,000	65,000
2029		-		-	2.40	65,000	65,000
2030		-		-	2.75	65,000	65,000
2031		-		-	2.75	70,000	70,000
		$ 1,665,000		980,000		850,000	3,495,000

See accompanying independent auditor's report

City of La Porte City

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

For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	$ 922,017	914,315	905,527	819,070
Tax increment financing	139,168	123,674	149,006	146,534
Other city tax	279,050	280,000	294,079	277,129
Licenses and permits	27,840	41,257	43,439	28,700
Use of money and property	27,998	29,616	38,268	40,908
Intergovernmental	452,541	373,221	426,244	322,697
Charges for service	278,451	270,336	271,210	243,052
Miscellaneous	367,261	194,047	182,226	560,243
Total	$ 2,494,326	2,226,466	2,309,999	2,438,333
Disbursements:				
Operating:				
Public safety	$ 509,427	582,894	504,679	560,105
Public works	739,423	524,322	1,192,529	461,441
Health and social services	8,180	5,590	11,059	3,052
Culture and recreation	375,601	365,335	472,540	379,199
Community and economic developm	50,717	95,441	40,841	59,581
General government	162,651	168,742	133,875	133,445
Debt service	387,953	384,348	414,555	2,204,916
Capital projects	507,645	124,762	664,951	563,011
Total	$ 2,741,597	2,251,434	3,435,029	4,364,750

See accompanying independent auditor's report

2012	2011	2010	2009	2008	2007
781,888	749,449	766,117	823,280	856,316	887,614
168,031	196,336	138,695	74,301	-	-
293,716	283,668	287,309	286,569	281,565	247,187
22,815	22,224	20,149	21,486	18,507	17,658
21,747	32,131	43,394	53,474	75,838	105,519
432,159	616,627	1,135,073	497,195	614,873	335,086
250,557	226,300	227,885	224,203	216,143	227,371
196,988	122,449	93,161	54,133	71,867	542,220
2,167,901	2,249,184	2,711,783	2,034,641	2,135,109	2,362,655
652,402	556,456	474,565	449,169	629,194	420,893
492,241	702,985	470,778	459,988	549,433	502,495
5,342	7,879	6,294	4,232	5,194	5,044
385,105	358,316	362,941	338,779	259,707	318,361
16,272	37,865	80,512	97,042	155,150	236,803
144,774	126,911	109,510	115,938	107,489	122,229
463,221	444,305	445,845	441,755	441,900	439,923
85,715	89,981	786,597	5,040	376,665	867,407
2,245,072	2,324,698	2,737,042	1,911,943	2,524,732	2,913,155

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

RFSW Ridihalgh Fuelling Snitker Weber & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2016. 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 to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. However, as described in the Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The 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.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

December 22, 2016

City of La Porte City

Schedule of Findings

Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – 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 that authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City 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 – We will continue to review and monitor ways to improve segregation of duties.

Conclusion – Response acknowledged.

(B) Preparation of Financial Statements - The City of La Porte City, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnote disclosures) in conformity with accounting principles generally accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Response – The City feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of La Porte City

Schedule of Findings

Year ended June 30, 2016

Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted.

(2) Questionable Disbursements – We believe all disbursements met the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Jane Whittlesey, City Clerk, Co-owner of La Porte City Printing & Design	Purchase office supplies	2,244
Jane Whittlesey, City Clerk, Co-owner of The Progress Review	City's official newspaper	5,837
Sarah Craft, Council Member, Husband is attorney with firm Dutton, Braun, Staack, & Hellman, City's Attorney	Attorney fees	3,500
Sarah Craft, Council Member, Mother-in-law is museum Grant writer	Grant Writing	135

In accordance with Chapter 362.5(11) of the Code of Iowa, the first and fourth transactions do not appear to represent a conflict of interest since the amounts are for less than $2,500 each.

In accordance with Chapter 362.5(6) of the Code of Iowa, the second transaction does not appear to represent a conflict of interest since the City has designated The Progress Review as its official newspaper.

In accordance with Chapter 362.5(5) of the Code of Iowa, the fourth transaction does not appear to represent a conflict of interest since the City had designated Dutton, Braun, Staack, & Hellman their City attorney and these professional services are not customarily awarded by competitive bid.

(5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

(6) Council Minutes – No transactions were found that we believe should have been approved in Council Minutes but were not.

(7) Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

(8) Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.

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

There were no instances of noncompliance noted.

(10) Urban Renewal Annual Report – There were no instances of noncompliance with the Urban Renewal Annual Report noted.