

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

FINANCIAL REPORT

JUNE 30, 2017

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MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

OFFICIALS
(Before June 2017)

Name	Title	Term Expires
Robyn Denning	Chairperson	June 30, 2017
Janet Hallberg	Vice Chairperson	June 30, 2017
Eleanor Soulli	Secretary	June 30, 2018
Jason Echard	Public Safety Commissioner	June 30, 2018
Pamela Brodie-Fitzgerald	Public Safety Commissioner	June 30, 2017
Kris Eulberg	Treasurer	June 30, 2017
Steve McCorkindale	Attorney	Indefinite

OFFICIALS
(After June 2017)

Name	Title	Term Expires
Eleanor Soulli	Chairperson	June 30, 2018
Robyn Denning	Vice Chairperson	June 30, 2019
Harold Brooks	Secretary	June 30, 2019
Jason Echard	Public Safety Commissioner	June 30, 2018
Pamela Brodie-Fitzgerald	Public Safety Commissioner	June 30, 2019
Bonnie Basemann	Treasurer	June 30, 2018
Steve McCorkindale	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENT

To the Commissioners of the
Mar-Mac Unified Law Enforcement District
Marquette, Iowa

Report on the Financial Statement

We have audited the accompanying cash basis financial statement of the Mar-Mac Unified Law Enforcement District (the District), as of and for the year ended June 30, 2017, and the related notes to financial statement, which collectively comprise the District's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Mar-Mac Unified Law Enforcement District, as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the District's basic financial statement. The management's discussion and analysis, the budgetary comparison information, the schedule of the district's proportionate share of the net pension liability and the schedule of district contributions on pages 4 to 4b and pages 13 through 17, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2017, on our consideration of Mar-Mac Unified Law Enforcement District'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 Mar-Mac Unified Law Enforcement District'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 Mar-Mac Unified Law Enforcement District's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 9, 2017

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
(COMPONENT UNIT OF THE CITY OF MARQUETTE, IOWA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mar-Mac Unified Law Enforcement District (the District) provides this management's discussion and analysis of its financial statement. This narrative overview and analysis of the financial activities of the District is for the year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statement, which follows.

2017 FINANCIAL HIGHLIGHTS

- Operating receipts increased 1.6%, or approximately \$4,000, from fiscal year 2016 to fiscal year 2017.
- Operating disbursements increased 7.1%, or approximately \$15,600, from fiscal year 2016 to 2017.
- The District returned \$5,251 to the participating Cities, a decrease of \$19,805 from fiscal year 2016.
- The District's total cash balance increased 11.9%, or approximately \$8,600 from June 30, 2016 to June 30, 2017.

USING THIS ANNUAL REPORT

The District has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues, as well as liabilities and their related expenses are not recorded in this financial statement. 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.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's discussion and analysis introduces the financial statement and provides an analytical overview of the District's financial activities.
- The statement of cash receipts, disbursements and changes in cash balance presents information on the District's operating receipts and disbursements, nonoperating receipts and disbursements and whether the District's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to financial statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Other information further explains and supports the financial statement with a comparison of the District's budget for the year and the District's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE DISTRICT

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the District and the disbursements paid by the District, both operating and nonoperating. The statement also presents a fiscal snapshot of the District's cash balance at year end. Over time, readers of the financial statement are able to determine the District's cash basis financial position by analyzing the increase or decrease in the District's cash balance.

Operating receipts are received for services provided by the Mar-Mac Unified Law Enforcement District as well as grant income.

Operating disbursements are disbursements paid to operate the District. Charges to the two participating Cities finance most of this activity.

A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2017 and 2016 is presented below:

	Changes in Cash Balance (Expressed in Thousands)		
	2017	2016	Percent Change
Operating Receipts:			
Program receipts:			
Intergovernmental	\$ 239	\$ 240	-0.42%
Miscellaneous	8	3	166.67%
Total operating receipts	247	243	1.65%
Operating Disbursements:			
Operating:			
Personnel services	168	169	-0.59%
Material and services	32	38	-15.8%
Capital outlay	33	11	200.00%
Total operating disbursements	233	218	6.89%
Excess of operating receipts over operating disbursements	14	25	-44.00%
Other Financing Uses:			
Refunds to participating Cities	(5)	(25)	-80.00%
Change in cash balance	9	-	100.00%
Cash balance, beginning of year	72	72	0.00%
Cash balance, end of year	\$ 81	\$ 72	12.5%

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Statement of Cash Receipts, Disbursements and Changes in Cash Balance (Continued)

As the District completed the year, its cash basis fund balance reported a cash balance of \$81,076, an \$8,605 increase from the 2016 fiscal year end balance of \$72,471. Overall, operating receipts increased approximately \$4,000 and operating disbursements increased \$16,000. The increase in disbursements is mostly due to compensation purchasing a new police vehicle for \$23,600. The increase in receipts is mostly due to the pay-off of a training contract and additional grant monies.

BUDGETARY HIGHLIGHTS

The District's appointed officials annually adopt a budget as required by the 28E agreement. The District did not amend its overall budget during the year. Actual disbursements were approximately \$24,000 less than the amount budgeted, and the District spent unbudgeted reserves and grant funds of approximately \$29,000.

DEBT ADMINISTRATION

At June 30, 2017, the District had no loans or outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Mar-Mac Unified Law Enforcement District's appointed officials and citizens considered many factors when setting the fiscal year 2018 budget and assessment and what will be charged to the Cities of Marquette and McGregor for police protection.

Budgeted disbursements for 2018 is \$205,700, approximately \$27,000 less than the 2017 budget. City of Marquette's share of the 2018 budget will be \$102,850 and City of McGregor's share will be \$102,850. The District has added no major new programs or initiatives to the 2018 budget.

If these estimates are realized, the budgeted cash balance is expected to remain the same by the close of fiscal 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bonnie Basemann, Treasurer, 102 North Street, Marquette, Iowa, 52158.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCE
 Year Ended June 30, 2017

OPERATING RECEIPTS	
Use of money and property	\$ 342
Intergovernmental	238,493
Miscellaneous	8,488
	247,323
Total operating receipts	247,323
OPERATING DISBURSEMENTS	
Personnel services	167,608
Material and services	32,739
Capital outlay	33,120
	233,467
Total operating disbursements	233,467
Excess of operating receipts over operating disbursements	13,856
OTHER FINANCING USES	
Refunds to participating Cities	(5,251)
	8,605
Change in cash balance	8,605
Cash balance, beginning of year	72,471
	72,471
Cash balance, end of year	\$ 81,076
CASH BASIS FUND BALANCE	
Restricted for:	
DARE Program	\$ 3,203
Committed for:	
New police vehicle	18,676
Unassigned	59,197
	59,197
Total cash basis fund balance	\$ 81,076

See Notes to Financial Statement.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

NOTES TO FINANCIAL STATEMENT

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

The Mar-Mac Unified Law Enforcement District (the District) is a political subdivision of the State of Iowa located in Clayton County. It was first formed in 1999 and operates under Chapter 28E of the Code of Iowa. The District is considered a joint venture to provide and administer law enforcement and police protection services for the Cities of Marquette and McGregor. The District is governed by a five-member Board known as the Mar-Mac Public Safety Commission. The Cities of Marquette and McGregor each appoint two Commissioners, who are persons currently serving as either Mayor or Council Member of the City making the appointment. The appointments are made by the Mayor, subject to approval by a majority vote of the Council, provided, however, if the Mayor appoints himself/herself as a Commissioner, approval by the Council is not required. One Commissioner is appointed by the Board of Directors of McGregor Hook and Ladder Company No. 1 (MHLC), who is a resident of the Fire District, served by MHLC and is not the Mayor, member of the City Council or an employee of either City.

b. Significant Accounting Policies

Reporting Entity

For financial reporting purposes, the Mar-Mac Unified Law Enforcement District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District's financial statement 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 District 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 District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The statement of cash receipts, disbursements and changes in cash balance 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. Items are not properly included among program receipts are reported instead as nonoperating receipts.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Primary governments (Cities of Marquette and McGregor) and Mar-Mac Unified Law Enforcement District activity and balances - resource flows between the primary governments and the District are reported as if they were external transactions.

All receipts from the two participating Cities and other receipts not allocated by law or contractual agreement to some other fund are accounted for in the general 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.

Measurement Focus and Basis of Accounting

The Mar-Mac Unified Law Enforcement District maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the District is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, capital assets and debt. Accordingly, the cash basis financial statement does not present financial position and results of operations of the fund in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the District 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 District'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 can be paid using either restricted or unrestricted resources, the District's policy is generally to apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

In the statement of cash receipts, disbursements and changes in cash balance, the 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 which can be used only for specific purposes determined pursuant to constraints formally imposed by the Public Safety Commission through resolution prior to year end. Those committed amounts cannot be used for any other purpose unless the Public Safety Commission removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - all amounts not included in the preceding classifications.

Budget and Budgetary Accounting

The budgetary comparison and related disclosures are reported as other information.

2. Cash and Investments

The District's deposits in banks at June 30, 2017 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 District 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 District; 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 District does not have an investment policy that limits the District's allowable deposits or investments.

The District has no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 72.

3. Pension Plan

Plan Description

IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District 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 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, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

3. Pension Plan (Continued)

Pension Benefits (Continued)

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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the District contributed 9.84% of covered payroll, for a total rate of 16.40%.

The District's contributions to IPERS for the year ended June 30, 2017 totaled \$11,299.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$14,136 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's collective proportion was .0002246%, which was an increase of .000451% from its collective proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENT

3. **Pension Plan (Continued)**

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2017, the District's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$9,015, \$28,531, and \$4,454, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 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, 2016 valuation were based on the results of 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

3. Pension Plan (Continued)

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 District 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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability (asset)	\$ 74,271	\$ 14,136	\$ (36,553)

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.

4. Medical Insurance/Health Alternative

Plan Description

The District operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are currently 2 active members and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross and Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the District. Retirees pay 100% of the premium for their coverage. The most recent active member monthly premiums for the District and plan members are \$334 for single coverage and \$836 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2017, the District contributed \$19,511 and plan members eligible for benefits contributed \$3,815 toward the family benefit portion of the plan.

5. Compensated Absences

District employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the District until used or paid.

NOTES TO FINANCIAL STATEMENT

5. Compensated Absences (Continued)

The District's approximate liability for earned vacation and compensatory hours payable to employees at termination at June 30, 2017 is as follows:

Type of Benefit	Amount
Vacation	\$ 4,895
Comp hours	503
	\$ 5,398

This liability has been computed based on rates of pay in effect at June 30, 2017.

6. Risk Management

The District 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 District 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.

7. Non-Cash Transactions

On December 1, 1999, the inventories and equipment and other tangible personal property devoted to the use of the Police Departments of Marquette and McGregor were transferred, without consideration, by the Cities to the District for use in the performance of the duties and functions of the District. Following the transfers, the Commission has sole discretion and responsibility regarding the use, retention, maintenance and disposition of such assets; provided, however, that no tangible asset of the District may be disposed of except in exchange for fair market value and any consideration received by the District upon any disposition of assets shall be retained and reported to both Cities.

8. Related Party Transactions

The Police Station facilities in Marquette are being leased by the City to the District for the sum of \$1 per year. The District shall be responsible for all interior maintenance of such facilities and the City shall be responsible for exterior maintenance, including snow removal. All necessary heat, electricity, water and sewer utility services shall be provided by the City, without charge, to the District. Said lease shall automatically terminate without need for notice upon termination of the 28E agreement.

Receipts from the Cities of Marquette and McGregor for the fiscal year ended June 30, 2017 were \$123,505 and \$109,524, respectively. Refunds to the Cities of Marquette and McGregor were \$2,941 and \$2,310 respectively during the fiscal year.

9. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

10. Subsequent Events

Management has evaluated subsequent events through October 9, 2017, the date on which the financial statement was available to be issued.

Other Information

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
OTHER INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
For the Year Ended June 30, 2017

	Actual	Less Amounts not Required to be Budgeted	Total	Budget Amounts Original and Final	Final to Total Variance
OPERATING RECEIPTS					
Use of money and property	\$ 342	\$ (342)	\$ -	\$ -	\$ -
Intergovernmental	238,493	(5,464)	233,029	233,029	-
Miscellaneous	8,488	(8,488)	-	-	-
Total operating receipts	247,323	(14,294)	233,029	233,029	-
OPERATING DISBURSEMENTS					
Public safety	233,467	(24,016)	209,451	233,029	(23,578)
Excess of operating receipts over operating disbursements	13,856	9,722	23,578	-	23,578
OTHER FINANCING USES					
Change in cash balance	8,605	14,973	23,578	-	23,578
Balance, beginning of year	72,471	(14,973)	57,498	46,878	10,620
Balance, end of year	\$ 81,076	\$ -	\$ 81,076	\$ 46,878	\$ 34,198

See Notes to Budgetary Reporting Information and Independent Auditor's Report.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
JUNE 30, 2017

The budgetary comparison is presented as other information 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 comparison for the general fund.

In accordance with the 28E agreement creating the Mar-Mac Unified Law Enforcement District, the Cities shall appropriate and pay to the District for fiscal year 2017 sums equal to the following percentages of the District’s budget for the year; Marquette 53% and McGregor 47%, to the extent funds are not made available to the District from other sources. Each City shall pay to the District one-fourth of the City’s share of the budget amount on or before July 10, October 10, January 10, and April 10 each year. On or before January 1 of each year during the term of the 28E agreement, the Commission shall adopt and submit to each City a proposed budget for the next fiscal year. The proposed budget shall set forth the total dollar amount to be appropriated to the District by each City. The Council of each City shall then consider and approve or reject said budget request, by no later than February 1. If either Council fails to approve the budget request by February 1, the two City Councils and the Commission shall meet in joint session during February to discuss and negotiate concerning the budget for the next fiscal year. At such time, the Commission may amend its budget request, but the proportional contribution by each City shall not be altered. If the Commission and both City Councils fail to agree upon and approve a budget for the next fiscal year by March 1, the 28E agreement automatically terminates.

Beginning with fiscal year 2018, the Cities shall appropriate and pay to the District each fiscal year sums equal to the following percentages of the District’s budget for the year:

<u>Year Ended June 30,</u>	<u>City of Marquette</u>	<u>City of McGregor</u>
2018	50%	50%
Thereafter	50%	50%

The District shall have full authority to apply for and receive grants for law enforcement purposes, but no such grants shall obligate the District or either City to contribute or expend non-grant monies beyond amounts included in an approved budget. A budget proposed by the District may include a sum to be set aside and accumulate in an equipment purchase fund to be expended in a subsequent year. Any budget surplus shall be carried over and used to reduce payments by the Cities for the next fiscal year’s budget. The District does not budget for use of surplus or grant funds only for current funding from the participating Cities.

The District shall have no power to impose any tax of any nature, nor pledge the credit of either City, nor incur any debt or other financial obligation, the payment of which has not been provided for in the current or an approved future budget; provided however, that this restriction shall not prevent the District from entering into equipment service and maintenance contracts.

See Independent Auditor’s Report.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
OTHER INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' REIREMENT SYSTEM
For the Last Three Years*
(In Thousands)

	2017	2016	2015
District's collective proportion of the net pension liability	0.0002246%	-0.0002261%	-0.0006143%
District's collective proportionate share of the net pension liability	\$ 14	\$ (11)	\$ (24)
District's covered-employee payroll	\$ 112	\$ 141	\$ 136
District's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.50%	-7.80%	-17.65%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See Notes to Other Pension Liability Information and Independent Auditor's Report.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
OTHER INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' REIREMENT SYSTEM
For the Last Eight Years
(In Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 11	\$ 11	\$ 14	\$ 14	\$ 17	\$ 16	\$ 13	\$ 11
Contributions in relation to the statutorily required contribution	11	11	14	14	17	16	13	11
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 116	\$ 112	\$ 141	\$ 136	\$ 163	\$ 161	\$ 138	\$ 126
Contributions as a percentage of covered-employee payroll	9.48%	9.82%	9.93%	10.29%	10.43%	9.94%	9.42%	8.73%

See Notes to Other Pension Liability Information and Independent Auditor's Report.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

NOTES TO OTHER INFORMATION - PENSION LIABILITY

Year Ended June 30, 2017

Changes of Benefit Terms

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

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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

See Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners of the
Mar-Mac Unified Law Enforcement District
Marquette, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of Mar-Mac Unified Law Enforcement District, as of and for the year ended June 30, 2017, and the related notes to financial statement, which collectively comprise the District's basic financial statement and have issued our report thereon dated October 9, 2017. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Mar-Mac Unified Law Enforcement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Mar-Mac Unified Law Enforcement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mar-Mac Unified Law Enforcement District'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 that a material misstatement of the District's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below that we consider to be a significant deficiency.

Segregation of Duties

The District is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statement.

Recommendation

We realize this condition will be difficult to improve on. However, we do believe it is important the District be aware this condition does exist and make changes when appropriate and cost effective. Under separate cover, we have also enclosed a listing of steps that you should consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary.

Response

The listing of steps will be provided to the Police Commission and we will consider suggestions and making improvements on what is applicable to the District where possible. Some steps are already implemented.

Conclusion

Response accepted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mar-Mac Unified Law Enforcement District's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mar-Mac Unified Law Enforcement District's Response to Finding

Mar-Mac Unified Law Enforcement District's response to the finding identified in our audit is described above. Mar-Mac Unified Law Enforcement District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haack, Nelson & Co., P.C.

Decorah, Iowa
October 9, 2017

MANAGEMENT LETTER

To the Commissioners of the
Mar-Mac Unified Law Enforcement District
Marquette, Iowa

In planning and performing our audit of the financial statement of the Mar-Mac Unified Law Enforcement District for the year ended June 30, 2017, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the District's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 6 below are compliance comments required by the Iowa Auditor of State. A separate report dated October 9, 2017, contains our report on the District's internal control over financial reporting. This letter does not affect our report dated October 9, 2017 on the financial statement of Mar-Mac Unified Law Enforcement District. These comments are not intended to and do not constitute legal opinions. We did not audit the District's responses and, accordingly, we express no opinion on them.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the District. 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.

1. **Certified Budget**
Disbursements for the year ended June 30, 2017 did not exceed the amount budgeted.
2. **Questionable Disbursements**
We noted no disbursements that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
3. **Travel Expense**
No disbursements of District money for travel expenses of spouses of District officials and/or employees were noted.
4. **Business Transactions**
We noted no business transactions between the District and District officials and/or employees for the year ended June 30, 2017.

5. District Board Minutes

No transactions were found that we believe should have been approved in the District board minutes but were not.

6. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

7. Publish District Board Bills

During our audit, we noted that the District did not publish their board bills in a timely manner as required by Iowa Code Section 28.6.

Recommendation

We recommend the District send the board bills with the minutes every month to be published.

Response

The board bills will be published with the minutes beginning after the next regular meeting scheduled on November 8.

Conclusion

Response accepted.

8. Credit Card Policy and Use

During our audit, we noted that the District does not have a written credit card policy in place.

Recommendation

We recommend the District approve a written card policy, which includes a requirement that all receipts be submitted before payment is made.

Response

We are in process of drafting a written credit card policy to be reviewed and approved at the November meeting.

Conclusion

Response accepted.

9. Cashier's Check

The District purchased a police car at the end of the fiscal year. The District paid for the police car with a cashier's check and a regular check. The vendor did not require a cashier's check. The vendor cashed the cashier's check in June 2017, but the regular check was not cashed until later.

Recommendation

We recommend the District pay for items with checks written directly from the District's bank account rather than using cashier's checks. A cancelled check will give better documentation that the funds were used for the correct purpose and for the correct vendor.

Response

We are drafting a resolution to outline approved expense payment methods.

Conclusion

Response accepted.

10. Travel Documentation

A travel reimbursement was made without proper documentation of the purpose of the travel.

Recommendation

We recommend the District only pay reimbursements that have all the appropriate documentation. A travel reimbursement form could be utilized to ensure all employees document all of the necessary information.

Response

We are reviewing and implementing proper expense reimbursement procedures.

Conclusion

Response accepted.

This report, a public record by law, is intended solely for the information and use of the officials and citizens of the Mar-Mac Unified Law Enforcement District and pass-through entities whom the District may report. This report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Mar-Mac Unified Law Enforcement District during the course of our audit.

If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 9, 2017