



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 25, 2003

Contact: Andy Nielsen  
515/281-5515

Auditor of State David A. Vaudt today released an audit report on the City of Lorimor, Iowa, for the year ended June 30, 2002. The audit was requested by the citizens as a result of various concerns pertaining to City records and fund balances.

The City's receipts totaled \$386,413 for the year ended June 30, 2002. The receipts included \$46,107 in property tax, \$39,766 from the state, \$269,816 in charges for service and \$3,851 in interest on investments.

Disbursements for the year totaled \$298,442, and included \$28,834 for community protection, \$10,475 for human development, \$241,488 for home and community environment and \$17,645 for policy and administration.

This report contains recommendations to the City Council and other City officials. For example, duties among employees should be segregated to prevent individual employees from handling duties which are incompatible. In addition, procedures should be established to reconcile utility billings, collections and delinquencies, supporting documentation should be reviewed and all disbursements should be approved by the Council. The City responded positively to the recommendations.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

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**CITY OF LORIMOR**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2002**

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**City of Lorimor**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Before January 2002</b>		
Kent Forbes	Mayor	Jan 2003
Jack Kilpatrick	Council Member	Jan 2001
Dennis Orwan	Council Member	Jan 2001
Kenneth Hagen, Jr.	Council Member	Resigned
Todd Raney	Council Member	Jan 2003
Steve Rosemen	Council Member	Jan 2003
<b>After January 2002</b>		
Kent Forbes	Mayor	Jan 2003
Todd Raney	Council Member	Jan 2003
Steve Roseman	Council Member	Jan 2003
Maurine Schmidt	Council Member	Jan 2003
Monica Fizer	Council Member	Jan 2005
Samantha Simon	Council Member	Jan 2005
Mary Seales	Clerk/Treasurer	Indefinite
John Casper	Attorney	Indefinite

**City of Lorimor**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Lorimor, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Lorimor's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Lorimor as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 11, 2003 on our consideration of the City of Lorimor's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, as discussed in the third preceding paragraph, is fairly stated, in all material respects, in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 11, 2003

**City of Lorimor**



## **Financial Statements**

City of Lorimor  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2002

	Governmental Fund	
	General	Special Revenue
Receipts:		
Property tax	\$ 35,572	769
Licenses and permits	1,011	-
Use of money and property	743	-
Intergovernmental	12,960	34,202
Charges for service	-	-
Miscellaneous	15,021	-
Total receipts	<u>65,307</u>	<u>34,971</u>
Disbursements:		
Community Protection Program	28,834	-
Human Development Program	10,475	-
Home and Community Environment Program	9,048	23,495
Policy and Administration Program	17,039	606
Total disbursements	<u>65,396</u>	<u>24,101</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(89)</u>	<u>10,870</u>
Other financing sources (uses):		
Operating transfers in	5,000	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	4,911	10,870
Balance beginning of year	<u>16,189</u>	<u>7,919</u>
Balance end of year	<u>\$ 21,100</u>	<u>18,789</u>

See notes to financial statements.

<u>Types</u>	<u>Proprietary Fund Type</u>	<u>Total (Memorandum Only)</u>
Debt	Enterprise	
Service		
9,766	-	46,107
-	-	1,011
-	3,108	3,851
-	-	47,162
-	269,816	269,816
-	3,445	18,466
<u>9,766</u>	<u>276,369</u>	<u>386,413</u>
-	-	28,834
-	-	10,475
8,175	200,770	241,488
-	-	17,645
<u>8,175</u>	<u>200,770</u>	<u>298,442</u>
<u>1,591</u>	<u>75,599</u>	<u>87,971</u>
-	-	5,000
-	(5,000)	(5,000)
-	(5,000)	-
1,591	70,599	87,971
(1,087)	101,547	124,568
<u>504</u>	<u>172,146</u>	<u>212,539</u>

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City of Lorimor

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	<u>Actual</u>	<u>Budget</u>
Receipts:		
Property tax	\$ 46,107	51,011
Other city tax	-	3,147
Licenses and permits	1,011	240
Use of money and property	3,851	4,700
Intergovernmental	47,162	38,397
Charges for service	269,816	266,351
Miscellaneous	18,466	11,373
Total receipts	<u>386,413</u>	<u>375,219</u>
Disbursements:		
Community Protection Program	28,834	22,959
Human Development Program	10,475	7,557
Home and Community Environment Program	241,488	272,560
Policy and Administration Program	17,645	13,931
Total disbursements	<u>298,442</u>	<u>317,007</u>
Excess of receipts over disbursements	87,971	58,212
Balance beginning of year	<u>124,568</u>	<u>168,638</u>
Balance end of year	<u>\$ 212,539</u>	<u>226,850</u>

See notes to financial statements.

<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual as</u> <u>% of</u> <u>Budget</u>
(4,904)	90%
(3,147)	-
771	421%
(849)	82%
8,765	123%
3,465	101%
7,093	162%
<u>11,194</u>	<u>103%</u>
(5,875)	126%
(2,918)	139%
31,072	89%
(3,714)	127%
<u>18,565</u>	<u>94%</u>

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City of Lorimor  
Statement of Indebtedness  
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	Jun 30, 2000	7.25%	\$ 30,000
Revenue bonds:			
Gas	May 1, 1972	7.00%	\$ 170,000
Sewer	Nov 14, 1980	5.00	393,000
Loans:			
Roof repair	July 14, 1998	3.00%	\$ 5,000
Street improvements	Nov 18, 1998	5.00	15,000
Fire truck	Jan 28, 1999	7.50	8,000

See notes to financial statements.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
30,000	6,000	24,000	2,175
5,000	5,000	-	175
258,080	-	258,080	-
<b>\$ 263,080</b>	<b>5,000</b>	<b>258,080</b>	<b>175</b>
1,716	1,716	-	51
6,322	3,085	3,237	316
5,146	1,593	3,553	357
<b>\$ 13,184</b>	<b>6,394</b>	<b>6,790</b>	<b>724</b>

City of Lorimor

Notes to Financial Statements

June 30, 2002

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

The City of Lorimor is a political subdivision of the State of Iowa located in Union County. It was first incorporated in 1887 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, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Lorimor 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.

Jointly Governed Organization

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City is such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: South Central Iowa Regional E911 Service Board and Prairie Solid Waste Agency.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 through other funds.



Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Proprietary Fund

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The City of Lorimor 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.

D. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or the State Sinking Fund 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.

**(3) Long-Term Debt**

Annual debt service requirements to maturity for general obligation notes, revenue bonds and loans are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bond		Street Improvements Loan		Fire Truck Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 6,000	1,740	10,397	12,904	3,237	164	1,714	236	21,348	15,044
2004	6,000	1,305	10,917	12,384	-	-	1,839	111	18,756	13,800
2005	6,000	870	11,463	11,838	-	-	-	-	17,463	12,708
2006	6,000	435	12,036	11,265	-	-	-	-	18,036	11,700
2007	-	-	12,638	10,663	-	-	-	-	12,638	10,663
2008	-	-	13,270	10,031	-	-	-	-	13,270	10,031
2009	-	-	13,933	9,368	-	-	-	-	13,933	9,368
2010	-	-	14,630	8,671	-	-	-	-	14,630	8,671
2011	-	-	15,361	7,940	-	-	-	-	15,361	7,940
2012	-	-	16,129	7,172	-	-	-	-	16,129	7,172
2013	-	-	16,936	6,365	-	-	-	-	16,936	6,365
2014	-	-	17,782	5,519	-	-	-	-	17,782	5,519
2015	-	-	18,672	4,629	-	-	-	-	18,672	4,629
2016	-	-	19,605	3,696	-	-	-	-	19,605	3,696
2017	-	-	20,585	2,716	-	-	-	-	20,585	2,716
2018	-	-	21,615	1,686	-	-	-	-	21,615	1,686
2019	-	-	12,111	606	-	-	-	-	12,111	606
<b>Total</b>	<b>\$ 24,000</b>	<b>4,350</b>	<b>\$ 258,080</b>	<b>127,453</b>	<b>\$ 3,237</b>	<b>164</b>	<b>\$ 3,553</b>	<b>347</b>	<b>\$ 288,870</b>	<b>132,314</b>

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue sinking account for the purpose of making the bond principal and interest payments when due.
- (c) A sewer reserve account shall be established with a specific established balance. This account is restricted for the purpose of paying for principal and interest when funds in the sinking account are inadequate.

The City has established the required sinking and reserve accounts.

**(4) Loan Agreements**

On November 18, 1998, the City entered into a loan agreement with a local bank for \$15,000 for street improvements. The repayment terms require five equal annual installments of \$3,401 beginning June 30, 1999, plus 5% per annum interest. The balance at June 30, 2002 was \$3,237.

On January 28, 1999, the City entered into a loan agreement with a local bank for \$8,000 for a fire truck. The repayment terms require ten equal semi-annual installments of \$975 beginning July 28, 1999, plus 7.5% per annum interest. The balance at June 30, 2002 was \$3,553.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$3,119, equal to the required contribution for that year.

**(6) Compensated Absences**

City employees accumulate earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation time and compensatory time payable to employees at June 30, 2002, primarily relating to the General Fund and the Water, Sewer Rental and Gas Revenue Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 2,600
Comp Time	<u>2,800</u>
Total	<u>\$ 5,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2002.

**(7) Risk Management**

The City of Lorimor 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.

**(8) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Community Protection, Human Development and Policy and Administration Programs exceeded the amounts budgeted.

**(9) Deficit Fund Balance**

The Insurance Account and the Solid Waste Account had deficit balances of \$1,172 and \$2,377, respectively, at June 30, 2002. The deficits will be eliminated through future tax collections and an increase in solid waste collection charges, if deemed necessary.

**(10) Litigation**

The City is a defendant in lawsuits seeking unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

**City of Lorimor**

**Supplemental Information**

City of Lorimor  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Trees Forever	Insurance
<b>Receipts:</b>			
Property tax	\$ 22,832	-	4,000
Licenses and permits	1,011	-	-
<b>Use of money and property:</b>			
Interest on investments	743	-	-
<b>Intergovernmental:</b>			
State allocation	5,564	-	-
Township contributions	-	-	-
Miscellaneous	76	-	-
	5,640	-	-
<b>Miscellaneous:</b>			
Fines	600	-	-
Donations and contributions	-	-	-
Miscellaneous	620	-	38
	1,220	-	38
Total receipts	31,446	-	4,038
<b>Disbursements:</b>			
<b>Community Protection Program:</b>			
<b>Fire:</b>			
Contractual services	1,200	-	-
Commodities	-	-	-
<b>Debt service:</b>			
Principal redeemed	-	-	-
Interest paid	-	-	-
	1,200	-	-

Park Improvement	Fire Department	EMS Donations	Volunteer Fire Dept	Total
-	8,740	-	-	35,572
-	-	-	-	1,011
-	-	-	-	743
-	-	-	-	5,564
-	7,320	-	-	7,320
-	-	-	-	76
-	7,320	-	-	12,960
-	-	-	-	600
6,197	-	53	6,287	12,537
-	1,226	-	-	1,884
6,197	1,226	53	6,287	15,021
6,197	17,286	53	6,287	65,307
-	4,878	-	-	6,078
-	12,000	-	3,511	15,511
-	1,593	-	-	1,593
-	357	-	-	357
-	18,828	-	3,511	23,539

City of Lorimor  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Trees Forever	Insurance
Disbursements (continued):			
Community Protection Program:			
Rescue	-	-	-
Street lights	5,274	-	-
	<u>6,474</u>	-	-
Human Development Program:			
Library:			
Contractual services	268	-	-
Park:			
Personal services	3,099	-	-
Contractual services	315	-	-
Commodities	3,786	-	-
	<u>7,200</u>	-	-
Teen center:			
Contractual services	268	-	-
Debt service:			
Principal redeemed	442	-	-
Interest paid	13	-	-
	<u>723</u>	-	-
Community center:			
Commodities	251	-	-
	<u>8,442</u>	-	-
Home and Community Environment Program:			
Streets and sidewalks:			
Personal services	1,219	-	-
Contractual services	7,101	-	-
Commodities	728	-	-
	<u>9,048</u>	-	-



Park Improvement	Fire Department	EMS Donations	Volunteer Fire Dept	Total
-	-	21	-	21
-	-	-	-	5,274
-	18,828	21	3,511	28,834
-	-	-	-	268
-	-	-	-	3,099
2,033	-	-	-	2,348
-	-	-	-	3,786
2,033	-	-	-	9,233
-	-	-	-	268
-	-	-	-	442
-	-	-	-	13
-	-	-	-	723
-	-	-	-	251
2,033	-	-	-	10,475
-	-	-	-	1,219
-	-	-	-	7,101
-	-	-	-	728
-	-	-	-	9,048

City of Lorimor  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Trees Forever	Insurance
Disbursements (continued):			
Policy and Administration Program:			
Personal services	3,184	-	-
Contractual services	5,644	-	5,124
Commodities	2,459	-	-
Debt service:			
Principal redeemed	610	-	-
Interest paid	18	-	-
	<u>11,915</u>	-	<u>5,124</u>
Total disbursements	<u>35,879</u>	-	<u>5,124</u>
Excess (deficiency) of receipts over (under) disbursements	(4,433)	-	(1,086)
Other financing sources:			
Operating transfers in:			
Enterprise:			
Water	<u>5,000</u>	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	567	-	(1,086)
Balance beginning of year	<u>7,834</u>	<u>1,189</u>	<u>(86)</u>
Balance end of year	<u>\$ 8,401</u>	<u>1,189</u>	<u>(1,172)</u>

See accompanying independent auditor's report.

Park Improvement	Fire Department	EMS Donations	Volunteer Fire Dept	Total
-	-	-	-	3,184
-	-	-	-	10,768
-	-	-	-	2,459
-	-	-	-	610
-	-	-	-	18
-	-	-	-	17,039
2,033	18,828	21	3,511	65,396
4,164	(1,542)	32	2,776	(89)
-	-	-	-	5,000
4,164	(1,542)	32	2,776	4,911
3,622	2,291	1,141	198	16,189
7,786	749	1,173	2,974	21,100

**City of Lorimor**

City of Lorimor  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2002

	Road Use Tax	Employee Benefits	Total
Receipts:			
Property tax	\$ -	769	769
Intergovernmental:			
Road use tax allocation	34,202	-	34,202
Total receipts	34,202	769	34,971
Disbursements:			
Home and Community Environment Program:			
Personal services	10,951	-	10,951
Contractual services	7,091	-	7,091
Commodities	2,052	-	2,052
Debt service:			
Principal redeemed	3,085	-	3,085
Interest paid	316	-	316
	23,495	-	23,495
Policy and Administration Program:			
Personal services	-	606	606
Total disbursements	23,495	606	24,101
Excess of receipts over disbursements	10,707	163	10,870
Balance beginning of year	7,919	-	7,919
Balance end of year	\$ 18,626	163	18,789

See accompanying independent auditor's report.

**Schedule 3**

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City of Lorimor  
Combining Schedule of Cash Transactions  
Debt Service Fund  
Year ended June 30, 2002

	<u>General Obligation Notes</u>
Receipts:	
Property tax	<u>\$ 9,766</u>
Disbursements:	
Home and Community Environment Program:	
Debt service:	
Principal redeemed	6,000
Interest paid	<u>2,175</u>
	<u>8,175</u>
Excess of receipts over disbursements	1,591
Balance beginning of year	<u>(1,087)</u>
Balance end of year	<u><u>\$ 504</u></u>

See accompanying independent auditor's report.

**City of Lorimor**

City of Lorimor  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	Water	Water Debt Service	Water Bond Reserve	Water Revenue Bond Depreciation
Receipts:				
Use of money and property:				
Interest on investments	\$ 909	-	-	-
Charges for service:				
Sale of water	61,721	-	-	-
Sale of gas	-	-	-	-
Bulk water sales	909	-	-	-
Service charges	-	-	-	-
Penalties	670	-	-	-
Sewer rental fees	-	-	-	-
Sewer connection fees	-	-	-	-
Solid waste collection fees	-	-	-	-
Miscellaneous	197	-	-	-
	63,497	-	-	-
Miscellaneous:				
Customer deposits	630	-	-	-
Total receipts	65,036	-	-	-
Disbursements:				
Home and Community Environment Program:				
Utility operations:				
Personal services	24,003	-	-	-
Contractual services	16,391	-	-	-
Commodities	6,026	-	-	-
Debt service:				
Principal redeemed	-	-	-	-
Interest paid	-	-	-	-
Total disbursements	46,420	-	-	-
Excess (deficiency) of receipts over (under) disbursements	18,616	-	-	-
Other financing sources (uses):				
Operating transfers in (out):				
General	(5,000)	-	-	-
Enterprise:				
Sewer Debt Service	-	-	-	-
Sewer Rental	-	-	-	-
Water Revenue Bond Depreciation	(2,315)	-	-	-
Water	-	-	-	2,315
Total other financing sources (uses)	(7,315)	-	-	2,315
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	11,301	-	-	2,315
Balance beginning of year	3,620	7,442	13,200	4,144
Balance end of year	\$ 14,921	7,442	13,200	6,459

See accompanying independent auditor's report.



Sewer Rental	Sewer Debt Service	Sewer Revenue Note Reserve	Sewer Revenue Note Depreciation	Gas Revenue	Solid Waste	Total
1,534	-	-	-	665	-	3,108
-	-	-	-	-	-	61,721
-	-	-	-	131,439	-	131,439
-	-	-	-	-	-	909
-	-	-	-	1,537	-	1,537
2,113	-	-	-	-	429	3,212
50,666	-	-	-	-	-	50,666
50	-	-	-	-	-	50
-	-	-	-	-	19,777	19,777
21	-	-	-	121	166	505
52,850	-	-	-	133,097	20,372	269,816
630	-	-	-	2,185	-	3,445
55,014	-	-	-	135,947	20,372	276,369
18,852	-	-	-	13,810	-	56,665
1,537	-	-	-	83,614	20,831	122,373
4,388	-	-	-	5,459	-	15,873
332	-	-	-	5,332	-	5,664
10	-	-	-	185	-	195
25,119	-	-	-	108,400	20,831	200,770
29,895	-	-	-	27,547	(459)	75,599
-	-	-	-	-	-	(5,000)
(23,301)	-	-	-	-	-	(23,301)
-	23,301	-	-	-	-	23,301
-	-	-	-	-	-	(2,315)
-	-	-	-	-	-	2,315
(23,301)	23,301	-	-	-	-	(5,000)
6,594	23,301	-	-	27,547	(459)	70,599
16,095	1	24,300	21,996	12,667	(1,918)	101,547
22,689	23,302	24,300	21,996	40,214	(2,377)	172,146

**Schedule 5**

City of Lorimor  
Bond and Note Maturities  
June 30, 2002

Year Ending June 30,	<u>General Obligation Notes</u>		<u>Revenue Bonds</u>	
	<u>Essential Corporate Purpose</u>		<u>Sewer</u>	
	<u>Issued Jun 30, 2000</u>		<u>Issued Nov 14, 1980</u>	
	Interest Rates	Amount	Interest Rates	Amount
2003	7.25%	\$ 6,000	5.00%	\$ 10,397
2004	7.25	6,000	5.00	10,917
2005	7.25	6,000	5.00	11,463
2006	7.25	6,000	5.00	12,036
2007	-	-	5.00	12,638
2008	-	-	5.00	13,270
2009	-	-	5.00	13,933
2010	-	-	5.00	14,630
2011	-	-	5.00	15,361
2012	-	-	5.00	16,129
2013	-	-	5.00	16,936
2014	-	-	5.00	17,782
2015	-	-	5.00	18,672
2016	-	-	5.00	19,605
2017	-	-	5.00	20,585
2018	-	-	5.00	21,615
2019	-	-	5.00	12,111
Total		<u>\$ 24,000</u>		<u>\$ 258,080</u>

See accompanying independent auditor's report.



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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Lorimor, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 11, 2003. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Lorimor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Lorimor's operations for the year ended June 30, 2002 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lorimor's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Lorimor's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that items (A), (B) and (C) are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lorimor and other parties to whom the City of Lorimor 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 personnel of the City of Lorimor 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.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 11, 2003

City of Lorimor  
Schedule of Findings  
Year ended June 30, 2002

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One individual has control over the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash and Investments – preparing bank reconciliations, initiating cash receipt and disbursement functions, and handling and recording cash and investments.
- (3) Receipts – collecting, depositing, journalizing, posting and reconciling.
- (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (5) Disbursements – preparing, recording and reconciling.
- (6) Payroll – approval, preparing and distributing.
- (7) Computer usage – performing all general accounting functions and controlling data input and output.

For the Lorimor Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions, and handling and recording cash.
- (2) Receipts – collecting, depositing, posting and reconciling.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City and Volunteer Fire Department should review their operating procedures to obtain the maximum internal control possible under the circumstances.

Response – To provide internal control, the Clerk and Mayor will set up a system of review of accounting and utility records by both parties. The clerk will review the records of the Lorimor Volunteer Fire Department until such time as the group becomes incorporated.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2002

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections, delinquent accounts and the transfer accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared.

In addition, a variance of \$1,416 between the Utility Clearing Transfer account and the utility accounts was noted.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. The Council should review the reconciliation and monitor delinquencies. The variance in the Utility Clearing Transfer account should be cleared to the utility funds.

Response – Procedures will be established to reconcile utility billings, collections and delinquencies. Reconciliation reports and delinquency lists will be prepared for the Council to review. Plans are being reviewed to purchase a Windows based utility billing system for more accurate accounting for utility billings, collections and delinquencies.

Conclusion – Response accepted.

- (C) Disbursements – Although disbursements were approved by the Council in the minutes, there was no evidence that supporting documentation was reviewed and individual payments approved. Invoices and supporting documentation were not marked paid or canceled to help prevent possible duplicate payment. Also, supporting documentation was not maintained for all travel claims.

Recommendation – All City disbursements should be approved by the Council prior to disbursement. Additionally, proper supporting documentation should be maintained and all invoices and documentation should be canceled to help prevent possible duplicate payment.

Response – A resolution has been prepared for action at the May 5<sup>th</sup> council meeting that will authorize the payment of certain expenditures before action by the Council. Those expenditures will include payroll, utility bills, employee insurance, sales tax and contract payments for garbage collection. The Mayor will review the actual invoices before payment is made and all invoices will be marked “paid” as they are paid. All reimbursements will have proper expense sheets presented.

Conclusion – Response accepted. In addition, allowable disbursements paid before action by the Council should be reviewed and approved at the next meeting.

- (D) Separately Maintained Records – The Lorimor Volunteer Fire Department maintains separate accounting records. The individual transaction activity is not included in the City’s accounting records.

In addition, the Lorimor Volunteer Fire Department does not maintain orderly accounting records. Bank accounts were not reconciled, bank statements were missing, and supporting documentation for disbursements was not maintained in a manner to identify what was paid for.

Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose. For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the Council on a monthly basis.

City of Lorimor

Schedule of Findings

Year ended June 30, 2002

Recommendation – The Volunteer Fire Department should establish and implement policies and procedures to maintain accounting records. Bank accounts should be reconciled monthly and supporting documentation for disbursements should be orderly maintained.

Response – The Fire Chief, who has control of the accounting records for the Volunteer Fire Department, has been notified that he must maintain adequate accounting records, including monthly bank reconciliations and all receipts for disbursements. The Volunteer Fire Department intends to incorporate. Until that time, the Clerk will review all records.

Conclusion – Response accepted.

(E) Electronic Data Processing Systems – The following weaknesses in the City’s computer based systems were noted:

- System backups are performed monthly for general ledger and after utility bills are prepared.
- Backup disks are not kept off site.
- Suitable physical environment protection and adequate fire protection are not maintained.

The City does not have written policies for:

- Internet usage or personal use of computer.
- A disaster recovery policy.

Recommendation – The City should develop and implement written policies addressing the above items in order to improve the City’s control over computer based systems.

Response – System backups are now made timelier for both accounting and utility systems. The backup disks are removed from the building by the Clerk. A new fire extinguisher will be purchased and maintained. At this time, preliminary plans are being made for a new city hall/community center building that would have a friendlier computer environment than the present city hall. If those plans fall through, remodeling of the existing building will take place and will include air conditioning. The Mayor and Clerk are preparing a written disaster recovery policy and a written policy for the city’s computer system. Action on those policies will take place at the June council meeting. An internet policy has been prepared and will be acted on at the May 5<sup>th</sup> council meeting.

Conclusion – Response accepted.

(F) Receipts – The City does not issue receipts for all collections and the receipts that were issued were not prenumbered.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

City of Lorimor

Schedule of Findings

Year ended June 30, 2002

Response – Prenumbered receipt books have been ordered and will be used commencing May 1, 2003. Receipts will be issued for all collections.

Conclusion – Response accepted.

- (G) Payroll – Timesheets were not always signed by the employee and did not indicate that they had been approved before the payroll was prepared.

A detailed record of vacation, comp time and sick leave earned and used by each employee is not maintained.

Recommendation – Timesheets should be retained to support time worked. Also, each time sheet should be signed by the employee and reviewed by a responsible official.

Response – Steps will be taken to insure that all time sheets are signed by each employee. The Mayor will review and sign all time sheets before payroll checks are written. A detailed record of all employee vacation, comp time, and sick leave will be maintained.

Conclusion – Response accepted.



City of Lorimor

Schedule of Findings

Year ended June 30, 2002

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the City Council. However, maximum amounts for each bank were not included on the depository resolution.

Recommendation – The City should adopt a new depository resolution which establishes maximum amounts for each bank and ensure that the official depositories adequately secure all uninsured deposits.

Response – A resolution naming official depositories and maximum amounts for each bank has been prepared and will be acted upon at the May 5<sup>th</sup> council meeting.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Community Protection, Human Development and Policy and Administration programs. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The Clerk will more diligently monitor expenditures and amend the budget as needed to insure that the budgeted amounts are not exceeded for fiscal year 2003. The Mayor plans to become more closely involved in budgetary issues.

Conclusion – Response accepted.

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

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

- (5) Business Transactions – No business transactions between the City and City officials or employees were noted.

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

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

The Council went into closed session on February 4, 2002 and February 11, 2002. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

City of Lorimor

Schedule of Findings

Year ended June 30, 2002

The City published total disbursements from each fund. However, the publication did not include an explanation of the claim or a summary of all receipts in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish disbursements and revenues as required.

Response – The City will comply with Iowa Code, Chapter 21, by documenting all required information in regards to closed sessions. Explanations for each claim will be included in the publication of bills paid and a summary of the receipts from all funds will be published. The publication of these items was started with the publication of the minutes for the April 7, 2003 council minutes.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except that the City has not established an investment policy, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

Recommendation – The City should establish a policy in accordance with the provisions of Chapter 12B and 12C of the Code of Iowa.

Response – An investment policy has been prepared for council review and will be acted upon at the May 5<sup>th</sup> council meeting.

Conclusion – Response accepted.

- (9) Revenue Bond – The City has established all of the sinking, reserve and improvement accounts required by the sewer revenue bond resolution and have made the required transfers.
- (10) Utility Billings – Per the Lorimor Code of Ordinances, each customer shall pay a sewer rental in the amount of one-third of the water bill, but not less than \$5.33 per month. Sewer rates were charged at a flat rate of \$19.25 per month.

Per City Ordinance the standard gas service rates for the third tier (15 to 379 ccfs) is .7500. Gas rates were not calculated in accordance with this ordinance.

Recommendation – The City should establish all utility rates by ordinance as required by Chapter 384.84 of the Code of Iowa. Also, the City should ensure that proper rates are charged in accordance with the ordinance in effect.

Response – Natural gas rates are charged according to a “Gas Purchase Adjustment” Ordinance, which allows the rates to change each month according to the amount that the City must pay for purchased gas. Ordinance amendments to both the sewer utility and natural gas utility will be acted upon to insure that the proper rates for all utilities are charged to the customer.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2002

- (11) Notice of Utility Rates – Per City ordinance, adjustments may be made not more often than once per billing period and said adjustments shall be set out as a separate item or by a clear statement on each customer’s bill. No explanation of the utility rates is included on the billings.

Recommendation – The City should make approved utility rates available to all customers.

Response – Utility rates are available to all customers at City Hall. With the change to “gas purchase adjustment” billing for natural gas, the rates for the gas are printed on the bill. However, the utility billing card that is now used does not have room for each utility rate to be printed on it. The billing includes gas, water, sewer, and garbage.

Conclusion – Response acknowledged. The City should review the ordinance and include the required information on the utility billings.

- (12) Utility Rate Adjustments – Adjustments to gas rates were not approved by ordinance as required by Chapter 384.84 of the Code of Iowa.

Recommendation – The City should establish all utility rates by ordinance as required by Chapter 384.84 of the Code of Iowa.

Response – The City has a “gas purchase adjustment” ordinance that allows for the City to charge the price of the natural gas to the City plus a certain amount to allow for the operation and maintenance of the system. At the present time, the City is charging \$.20 per unit plus the per unit price of the gas. An amendment to the natural gas ordinance to approve the \$.20 per unit charge will be approved at an upcoming council meeting.

Conclusion – Response accepted.

- (13) Financial Condition – The General Fund, Insurance Account and the Enterprise Fund, Solid Waste Account had deficit balances of \$1,173 and \$3,805, respectively, at June 30, 2002.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – The Enterprise Fund, Solid Waste Account started out with a deficit. Garbage collection with a contractor began in July. The City was charged for July’s collection and paid in August. The customer was not billed for July’s garbage collection until August. The August garbage collection revenue was not transferred until September. All past due garbage collection amounts are certified against property taxes as a means of collection. The Council will also look at an increase in collection charges. The City asks for the General Fund, Insurance Account amounts in property tax levy. Insurance cost will be closely examined to allow that enough revenue is presented in the tax levy to cover the costs of the insurance.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2002

(14) Petition Items – Except as noted, all items included in the petition for the audit have been resolved.

(15) Other Information Required by the Sewer Revenue Bond Resolution

Insurance – The following insurance policies were in effect at June 30, 2002:

Insurer	Description	Amount	Expiration Date
EMC Insurance Company	Commercial Property Blanket Building and Personal Property & Equipment	\$ 244,685 83,308	Apr 1, 2003
EMC Insurance Company	General Liability Personal and Advertising Injury Each Occurrence Limit Premises Rented Medical Expense Limit General Aggregate Limit Products/Completed Operations Aggregate Limit	1,000,000 1,000,000 100,000 5,000 2,000,000 2,000,000	Apr 1, 2003
EMC Insurance Company	Linebacker Each Loss Aggregate Deductible per loss	1,000,000 1,000,000 1,000	Apr 1, 2003
EMC Insurance Company	Public Employee Coverage City Clerk Employees Forgery or Alteration	50,000 10,000 10,000	Apr 1, 2003
EMC Insurance Company	Worker's Compensation Each Accident Disease – Policy Limit Disease – Each Employee	500,000 500,000 500,000	Apr 1, 2003
EMC Insurance Company	Commercial Inland Marine Contractor's Equipment Property Floater	22,500 55,634	Apr 1, 2003
EMC Insurance Company	Commercial Umbrella Declarations Retained Limit Occurrence Limit Aggregate Limit	10,000 1,000,000 1,000,000	Apr 1, 2003

City of Lorimor  
Schedule of Findings  
Year ended June 30, 2002

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Insurer	Description	Amount	Expiration Date
EMC Insurance Company	Commercial Auto Declarations		Apr 1, 2003
	Liability	1,000,000	
	Underinsured	1,000,000	
	Uninsured	1,000,000	
	Auto Medical Payments	5,000	

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City of Lorimor

Staff

This audit was performed by:

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