



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

June 24, 2016

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Lorimor, Iowa.

The City's receipts totaled \$509,041 for the year ended June 30, 2015, a 7.2% decrease from the prior year. The receipts included \$52,209 in property tax, \$247,379 from charges for service, \$99,739 from operating grants, contributions and restricted interest, \$41,058 from local option sales tax and \$140 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2015 totaled \$415,635, a 23.1% decrease from the prior year, and included \$60,842 for public works, \$45,094 for general government and \$36,096 for public safety. Also, disbursements for business type activities totaled \$243,048.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1522-0851-B00F>.

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

**JUNE 30, 2015**

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**City of Lorimor**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Kilpatrick	Mayor	(Resigned)
Randy Wacha (Appointed Nov 2014)	Mayor	(Resigned)
George Lange (Appointed Mar 2015)	Mayor	Nov 2015
Kent Forbes	Mayor Pro tem	Jan 2018
Cheryl Jorgensen	Council Member	Jan 2016
Dave McMillen	Council Member	Jan 2016
Maurine Schmidt	Council Member	Jan 2016
Randy Wacha	Council Member	(Resigned)
Karen Tucker (Appointed Dec 2014)	Council Member	Nov 2016
Doris Loy	City Clerk/Treasurer	Jan 2016
Todd Nielsen	Attorney	Indefinite

**City of Lorimor**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lorimor, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lorimor as of June 30, 2015, and the respective changes in its cash basis financial position for the year ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 4, the City of Lorimor adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lorimor's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 22 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2016 on our consideration of the City of Lorimor'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Lorimor's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 31, 2016



## **Basic Financial Statements**

City of Lorimor

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 36,096	245	66,887
Public works	60,843	-	32,652
Culture and recreation	6,045	1,795	200
Community and economic development	4,880	-	-
General government	45,094	75	-
Debt service	19,629	-	-
Total governmental activities	172,587	2,115	99,739
Business type activities:			
Gas	124,177	155,186	-
Sewer	86,865	66,167	-
Garbage	32,006	23,911	-
Total business type activities	243,048	245,264	-
Total	\$ 415,635	247,379	99,739
<b>General Receipts:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted for:			
Debt service			
Capital improvements			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
31,036	-	31,036
(28,191)	-	(28,191)
(4,050)	-	(4,050)
(4,880)	-	(4,880)
(45,019)	-	(45,019)
(19,629)	-	(19,629)
(70,733)	-	(70,733)
-	31,009	31,009
-	(20,698)	(20,698)
-	(8,095)	(8,095)
-	2,216	2,216
(70,733)	2,216	(68,517)
47,290	-	47,290
4,919	-	4,919
41,058	-	41,058
106	34	140
93,373	34	93,407
22,640	2,250	24,890
57,124	279,920	337,044
\$ 79,764	282,170	361,934
\$ -	11,290	11,290
70,692	16,066	86,758
9,072	254,814	263,886
\$ 79,764	282,170	361,934

**Exhibit B**

## City of Lorimor

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

As of and for the year ended June 30, 2015

	Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Nonmajor	Total
Receipts:					
Property tax	\$ 43,922	-	-	8,287	52,209
Other city tax	-	-	41,058	-	41,058
Licenses and permits	320	-	-	-	320
Use of money and property	106	-	-	-	106
Intergovernmental	35,140	32,652	-	-	67,792
Charges for service	1,795	-	-	-	1,795
Miscellaneous	31,947	-	-	-	31,947
Total receipts	113,230	32,652	41,058	8,287	195,227
Disbursements:					
Operating:					
Public safety	36,096	-	-	-	36,096
Public works	19,465	40,632	-	746	60,843
Culture and recreation	6,045	-	-	-	6,045
Community and economic development	4,880	-	-	-	4,880
General government	42,456	803	-	1,835	45,094
Debt service	-	-	-	19,629	19,629
Total disbursements	108,942	41,435	-	22,210	172,587
Excess (deficiency) of receipts over (under) disbursements	4,288	(8,783)	41,058	(13,923)	22,640
Cash balances beginning of year	22,642	5,190	29,634	(342)	57,124
Cash balances end of year	\$ 26,930	(3,593)	70,692	(14,265)	79,764
<b>Cash Basis Fund Balances</b>					
Restricted for capital improvements	\$ -	-	70,692	-	70,692
Assigned for:					
Fire and emergency medical	7,138	-	-	-	7,138
Parks	3,754	-	-	-	3,754
Community center	4,287	-	-	-	4,287
Housing rehabilitation	4,740	-	-	-	4,740
Unassigned	7,011	(3,593)	-	(14,265)	(10,847)
Total cash basis fund balances	\$ 26,930	(3,593)	70,692	(14,265)	79,764

See notes to financial statements.

City of Lorimor

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

As of and for the year ended June 30, 2015

	Enterprise			Total
	Gas	Sewer	Nonmajor Garbage	
Operating receipts:				
Charges for service	\$ 155,186	66,167	23,911	245,264
Operating disbursements:				
Business type activities	124,177	55,569	32,006	211,752
Excess (deficiency) of operating receipts over (under) operating disbursements	31,009	10,598	(8,095)	33,512
Non-operating receipts (disbursements):				
Interest on investments	-	34	-	34
Debt service	-	(31,296)	-	(31,296)
Total non-operating receipts (disbursements)	-	(31,262)	-	(31,262)
Change in cash balances	31,009	(20,664)	(8,095)	2,250
Cash balances beginning of year	217,845	73,873	(11,798)	279,920
Cash balances end of year	\$ 248,854	53,209	(19,893)	282,170
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	11,290	-	11,290
Capital improvements	-	16,066	-	16,066
Unrestricted	248,854	25,853	(19,893)	254,814
Total cash basis fund balances	\$ 248,854	53,209	(19,893)	282,170

See notes to financial statements.

City of Lorimor

Notes to Financial Statements

June 30, 2015

**(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 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides gas, sewer and garbage utilities for its citizens.

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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax receipts to be used for capital improvements and community betterment projects, including street improvements, buildings and sanitary sewer system improvements, including debt retirement.

The City reports the following major proprietary funds:

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, debt service and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.



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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 14,927	4,479	17,903	2,956	32,830
2017	10,441	3,795	18,490	2,369	28,931	6,164
2018	7,443	3,353	19,096	1,763	26,539	5,116
2019	7,757	3,039	19,721	1,138	27,478	4,177
2020	8,085	2,711	20,188	495	28,273	3,206
2021-2025	45,850	8,130	-	-	45,850	8,130
2026	10,204	431	-	-	10,204	431
Total	\$ 104,707	25,938	95,398	8,721	200,105	34,659

General Obligation Municipal Building Notes

On June 29, 2006, the City issued general obligation municipal building notes for \$83,000 and \$56,100 for the purpose of constructing a City Hall and a Community Center. These notes bear interest at 4.125% and 4.375% per annum, respectively. The notes require annual installments of \$6,387 and \$4,409, respectively, due each July 1, beginning on July 1, 2006. During the year ended June 30, 2015, the City paid \$6,574 of principal and \$4,155 of interest on the notes. At June 30, 2015, the outstanding principal balances were \$55,534 and \$37,798, respectively.

General Obligation Street Improvement Note

On September 26, 2007, the City issued a general obligation street improvement note for \$39,000 for the purpose of constructing street improvements. The note requires annual payments of \$4,875 with interest at 5.30% per annum. During the year ended June 30, 2015, the City paid \$4,875 of principal and \$517 of interest on the note. At June 30, 2015, the outstanding principal balance was \$4,875.

General Obligation Fire Truck Note

On October 28, 2010, the City issued a general obligation fire truck note for \$22,000 for the purpose of purchasing a fire truck. The note requires semiannual payments of \$1,550 with interest at 4.25% per annum. During the year ended June 30, 2015, the City paid \$3,100 of principal and \$408 of interest on the note. At June 30, 2015, the outstanding principal balance was \$6,500.

### Sewer Revenue Refunding Notes

On July 2, 2013, the City issued \$130,000 of sewer revenue refunding notes for the current refunding of \$127,186 of sewer revenue notes issued on November 14, 1980.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$130,000 of sewer revenue refunding notes issued July 2, 2013 with interest at 3.25% per annum. The notes are payable solely from sewer customer net receipts and are payable through 2020. The total principal and interest remaining to be paid on the notes is \$104,119. For the year ended June 30, 2015, principal and interest paid and total customer net receipts were \$20,863 and \$10,598, respectively.

The resolution providing for the issuance of the sewer revenue refunding notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The City will establish rates sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net receipts at a level not less than the amount of principal and interest on the revenue notes falling due in the same year.

#### **(4) Lease Purchase Agreement**

On September 18, 2013, the City entered into a lease purchase agreement to lease a tractor. The following is a schedule of future minimum lease payments, including interest at 4.30% per annum, and the present value of the net minimum lease payments under the agreement in effect at June 30, 2015:

Year Ending June 30,	Amount
2016	\$ 10,801
2017	10,801
2018	10,801
2019	1,800
Total	34,203
Less amount representing interest	(2,279)
Total	<u>\$ 31,924</u>

During the year ended June 30, 2015, the City made principal payments of \$9,212 and interest payments of \$1,589 on the agreement.

**(5) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the 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%. 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 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%.

The City's contribution to IPERS for the year ended June 30, 2015 was \$6,047.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$41,042. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.000010%, which was an increase of 0.000032% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$3,072, \$2,257 and \$15,652, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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.

The actuarial assumptions used in the June 30, 2014 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
US equity	23%	6.31%
Non US equity	15	6.76
Private equity	13	11.34
Real estate	8	3.52
Core plus fixed income	28	2.06
Credit opportunities	5	3.67
TIPS	5	1.92
Other real assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 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%)
City's proportionate share of the net pension liability	\$ 77,548	41,042	10,227

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

## (6) Deficit Balances

The Special Revenue, Road Use Tax Fund had a deficit balance of \$3,593 at June 30, 2015. The Debt Service Fund had a deficit balance of \$14,650 at June 30, 2015. The Enterprise, Garbage Fund had a deficit balance of \$19,893 at June 30, 2015. The City is exploring alternatives to eliminate the deficit balances.

**(7) Risk Management**

The City is exposed to various risks of loss related to torts; 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.

## **Other Information**

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

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 52,209	-	52,209
Other city tax	41,058	-	41,058
Licenses and permits	320	-	320
Use of money and property	1,901	34	1,935
Intergovernmental	67,792	-	67,792
Charges for service	-	245,264	245,264
Miscellaneous	31,947	-	31,947
Total receipts	195,227	245,298	440,525
Disbursements:			
Public safety	36,096	-	36,096
Public works	60,843	-	60,843
Culture and recreation	6,045	-	6,045
Community and economic development	4,880	-	4,880
General government	45,094	-	45,094
Debt service	19,629	-	19,629
Business type activities	-	243,048	243,048
Total disbursements	172,587	243,048	415,635
Excess of receipts over disbursements	22,640	2,250	24,890
Balances beginning of year	57,124	279,920	337,044
Balances end of year	\$ 79,764	282,170	361,934

See accompanying independent auditor's report.



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Budgeted Amounts	Final to Total
Original/Final	Variance
52,368	(159)
37,282	3,776
600	(280)
2,500	(565)
58,840	8,952
225,160	20,104
-	31,947
376,750	63,775
28,100	(7,996)
72,044	11,201
4,000	(2,045)
1,000	(3,880)
51,312	6,218
5,134	(14,495)
215,160	(27,888)
376,750	(38,885)
-	24,890
343,312	(6,268)
343,312	18,622

City of Lorimor  
Notes to Other Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The City did not amend the budget during the year ended June 30, 2015.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, debt service and business type activities functions.

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City of Lorimor

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

Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.000010%
City's proportionate share of the net pension liability	\$ 41
City's covered-employee payroll	\$ 56
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

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City of Lorimor

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last Ten Fiscal Years  
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 6	6	4	4
Contributions in relation to the statutorily required contribution	(6)	(6)	(4)	(4)
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 56	56	47	44
Contributions as a percentage of covered-employee payroll*	8.93%	8.93%	8.67%	8.00%

\* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to nearest thousandth.

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

See accompanying independent auditor's report.

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<u>2011</u>	<u>2010</u>	<u>2009</u>
3	3	5
(3)	(3)	(5)
<u>-</u>	<u>-</u>	<u>-</u>
47	50	68
6.95%	6.85%	6.35%

City of Lorimor

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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.

In 2008, legislative action 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.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

**City of Lorimor**



## **Supplementary Information**

**City of Lorimor**

## City of Lorimor

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

As of and for the year ended June 30, 2015

	Special Revenue		Total
	Employee Benefits	Debt Service	
Receipts:			
Property tax	\$ 3,368	4,919	8,287
Disbursements:			
Operating:			
Public works	746	-	746
General government	1,835	-	1,835
Debt service	-	19,629	19,629
Total disbursements	2,581	19,629	22,210
Change in cash balances	787	(14,710)	(13,923)
Cash balances beginning of year	(402)	60	(342)
Cash balances end of year	\$ 385	(14,650)	(14,265)
<b>Cash Basis Fund Balances</b>			
Unassigned	\$ 385	(14,650)	(14,265)

See accompanying independent auditor's report.

City of Lorimor  
 Schedule of Indebtedness  
 Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Municipal building	Jun 29, 2006	4.125%	\$ 83,000
Municipal building	Jun 29, 2006	4.375	56,100
Street improvement	Sep 26, 2007	5.300	39,000
Fire truck	Oct 28, 2010	4.250	22,000
Total			
Revenue notes:			
Sewer refunding	Jul 2, 2013	3.250	\$ 130,000
Lease purchase agreement:			
Tractor	Sep 18, 2013	4.300%	\$ 48,690

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
59,468	-	3,934	55,534	2,386
40,438		2,640	37,798	1,769
9,750	-	4,875	4,875	517
9,600	-	3,100	6,500	408
<b>\$ 119,256</b>	-	14,549	104,707	5,080
112,859	-	17,461	95,398	3,402
41,136	-	9,212	31,924	1,589

**Schedule 3**

## City of Lorimor

## Note Maturities

Year ended June 30, 2015

General Obligation Notes									
Year Ending June 30,	Municipal Building		Municipal Building		Street Improvement		Fire Truck		Total
	Issued June 29, 2006		Issued June 29, 2006		Issued Sept 26, 2007		Issued Oct 28, 2010		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2016	4.125%	\$ 4,096	4.375%	\$ 2,756	5.30%	\$ 4,875	4.25%	\$ 3,200	14,927
2017	4.125	4,265	4.375	2,876	-	-	4.25	3,300	10,441
2018	4.125	4,441	4.375	3,002	-	-	-	-	7,443
2019	4.125	4,624	4.375	3,133	-	-	-	-	7,757
2020	4.125	4,815	4.375	3,270	-	-	-	-	8,085
2021	4.125	5,014	4.375	3,413	-	-	-	-	8,427
2022	4.125	5,221	4.375	3,562	-	-	-	-	8,783
2023	4.125	5,436	4.375	3,718	-	-	-	-	9,154
2024	4.125	5,660	4.375	3,881	-	-	-	-	9,541
2025	4.125	5,894	4.375	4,051	-	-	-	-	9,945
2026	4.125	6,068	4.375	4,136	-	-	-	-	10,204
Total		<u>\$ 55,534</u>		<u>\$ 37,798</u>		<u>\$ 4,875</u>		<u>\$ 6,500</u>	<u>104,707</u>

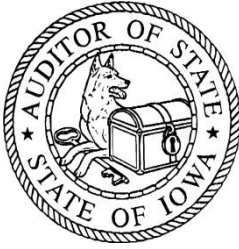
Revenue Notes		
Sewer Refunding		
Year Ending June 30,	Issued June 28, 2013	
	Interest	
	Rates	Amount
2016	3.25%	\$ 17,903
2017	3.25	18,490
2018	3.25	19,096
2019	3.25	19,721
2020	3.25	20,188
Total		<u>\$ 95,398</u>

See accompanying 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 Financial Statements Performed in Accordance with  
Government Auditing Standards**

**City of Lorimor**





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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lorimor, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

## Compliance and Other Matters

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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


## The City of Lorimor's Responses to the Findings


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

## Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 31, 2016

City of Lorimor

Schedule of Findings

Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – handling, reconciling and recording.
  - (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
  - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
  - (4) Debt – recordkeeping, compliance and debt payment processing.
  - (5) Disbursements – purchasing, invoice processing, check writing and signing, mailing, reconciling and recording.
  - (6) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
  - (7) Utilities – billing, collecting, depositing, posting and maintaining detailed accounts receivable records.
  - (8) Computer systems – performing all general accounting functions, controlling all data input and output and having custody of assets.
  - (9) Financial reporting – preparing and reconciling.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews should be documented by the signature or initials of the reviewer and the date of the review. Additionally, a listing of receipts received in the mail should be prepared, at least on a test basis. The listing should be compared to the receipt records by an independent person.

Response – The City of Lorimor has hired a new City Clerk and a new Deputy City Clerk and have separated duties. The Mayor/City Council will review, sign and date all documents. The City Clerk and Deputy City Clerk are no longer authorized to sign checks. Also 2 resolutions have been approved by City Council to cover oversight duties.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2015

- (B) Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the checking accounts and did not include investments which are necessary to reconcile with the monthly financial reports. Also, bank reconciliations were not reviewed by an independent person.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations should be prepared to include all checking accounts, investments and reconciling items. The reconciliations should agree with the fund and account balances on the City Clerk/Treasurer's monthly financial report. Bank reconciliations should be reviewed by an independent person and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – Bank reconciliations will include all accounts including investments. We will have a Council Member review the bank reconciliations and document their review by initialing and dating when their review is performed.

Conclusion – Response accepted.

- (C) Annual Financial Report – The ending balance for the governmental funds did not agree to the ending balance reported in the June 30, 2015 Annual Financial Report (AFR) for governmental activities by \$6,486.

Recommendation – The errors in the Annual Financial Report should be corrected and the report should be re-filed.

Response – The City hired an outside company to do the budget and errors were found in the past budget and will be corrected. A corrected Annual Financial Report will be submitted after all corrections are made.

Conclusion – Response accepted.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. In addition, the City does not have a written policy pertaining to write-offs of delinquent utility accounts or in assessing late fees. Also, adjustments to accounts were not approved or supported. Pre-numbered receipts are not issued for all utility collections not accompanied by a prenumbered utility stub.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliation and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review. The City should establish a formal written policy for writing off delinquent accounts and charging late fees. Additionally, all write-offs should be supported and approved by the City Council. For payments received without a prenumbered utility stub, pre-numbered receipts should be issued.

City of Lorimor

Schedule of Findings

Year ended June 30, 2015

Response – The City has a new utility billing software program which will assist in preparing a monthly reconciliation of accounts. The City Council is working on developing written policies in regard to late fees, write-offs and reviewing the reconciliations. Pre-numbered receipts will be issued for all cash collections and other payment type collections as requested by customers.

Conclusion – Response accepted.

(E) Payroll – During our review of payroll, we identified the following:

- Timesheets were not always approved by the employee's supervisor.
- The City does not have an overtime policy. As a result, the City Clerk was paid overtime for 3 pay periods where she also recorded sick leave on her timesheets. It is not appropriate to pay overtime when the overtime is the result of holiday, vacation or sick leave hours.

Recommendation - All timesheets should be approved and initialed by the employee's supervisor or by an independent official who is not involved with payroll. The City should develop an overtime policy for the employees and ensure overtime is not being paid to an individual if they also have sick time in the same pay period.

Response – Timesheets will be approved by the Mayor, Mayor Pro Tem or a Council Member. Beginning April 1, 2016, the Mayor, Mayor Pro Tem or designated Council member has been approving timecards prior to payroll processing. Payroll checks are signed by the Mayor, Mayor Pro Tem or designated Council Member. The City revised the City of Lorimor Employee Handbook effective January 2016 which addresses hours and overtime.

Conclusion – Response accepted.

(F) Disbursements - Certain invoices were not properly marked paid to prevent possible duplicate payment of invoices. Additionally, approval of payments is not documented by the signature or initials of the reviewer and the date of the review on the supporting documentation. Also, the City received 8 gifts with a monetary value from a vendor for which there was no record of the City receiving these gifts.

Recommendation – Supporting documents for disbursements should be reviewed by the check signers prior to co-signing checks. Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation. In addition, supporting documentation for claims should be cancelled to prevent reuse. Receipt of gifts from a vendor should be documented and the gifts should be used for the benefit of the City.

Response – Check stubs are being attached to all invoices indicating date of payment. All checks/claims report are presented to the City Council for review and approval. Supporting documents are signed, dated and filed.

Conclusion – Response accepted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2015

- (G) Accounting Policies and Procedures Manual - The City does not have a written accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response - The City is working on preparing accounting procedures manuals. As the new City Clerk and Deputy City Clerk are fully trained, additional procedures will be added to the accounting manuals.

Conclusion - Response accepted.

- (H) Computer System - The City does not have written policies over general computer usage and security and does not have a written disaster recovery plan.

Recommendation - The City should develop a computer usage and security policy to improve the City's control over its computer system and should develop a written disaster recovery plan.

Response - The City is using I-drive to back up the computer system on a daily basis. This is an offsite program to restore computer data in case of an emergency. The City will create a written policy over general computer usage, security and disaster recovery.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Lorimor

Schedule of Findings

Year ended June 30, 2015

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

- (1) Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response - The budget will be monitored and amendments, if necessary, will be approved timely.

Conclusion - Response accepted.

- (2) Questionable Disbursements - During the year, \$63 of improper mileage reimbursements were disbursed to the City Clerk. The mileage claimed was correct, but the mileage was paid at an incorrect rate. 20 of the 28 reimbursements to City employees and officials were not included in the approved disbursement listings included in the City Council minutes.

Recommendation - The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. Additionally, the City should ensure all mileage reimbursements are paid at the proper mileage rate and all disbursements are approved by the City Council prior to payment.

Response - Mileage reimbursement will be approved by the City Council prior to payment and the City will reimburse mileage using the published IRS mileage rate each year.

Conclusion - Response accepted.

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

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

- (5) Bond Coverage - Surety bond coverage for the City Clerk was not maintained for the entire year ended June 30, 2015. Specifically, the City Clerk was not covered from April 1, 2015 to August 10, 2015, as required by Chapter 64 of the Code of Iowa. The remaining City officials and employees' surety bond coverage was in accordance with statutory provisions for the entire year. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Recommendation - The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

City of Lorimor

Schedule of Findings

Year ended June 30, 2015

Response – The City’s current insurance carrier has proper coverage and the City Council will periodically check to make sure it is adequate.

Conclusion – Response accepted.

- (6) City Council Minutes – Except as noted in (2) above, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although the minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Minutes for two meetings tested were not published within fifteen days. Also, the minutes for 7 meetings did not include approved disbursements.

Recommendation - The City should comply with the Code of Iowa and publish City Council minutes within fifteen days and include total disbursements by fund in the minutes.

Response – The Mayor and City Clerk will sign all minutes. We have designated an official newspaper of general circulation which is a weekly publication.

Conclusion – Response accepted.

- (7) Deposits and Investments - No instances of noncompliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- (8) Revenue Notes – No instances of non-compliance with the revenue note resolution were noted.

- (9) Financial Condition – The Special Revenue, Road Use Tax Fund, the Debt Service Fund and the Enterprise, Garbage Fund had deficit balances at June 30, 2015 of \$3,593, \$14,650 and \$19,893, respectively.

Recommendation – The City should continue to investigate alternatives to eliminate these deficits to return these funds to a sound financial condition.

Response – The City Council is exploring ways to eliminate the deficit fund balances.

Conclusion – Response accepted.



City of Lorimor

Staff

This audit was performed by:

James S. Cunningham, CPA, Manager  
Ryan T. Jelsma, Senior Auditor II  
Matthew C. Hickenbottom, Staff Auditor  
Melissa A. Hastert, CPA, Staff Auditor  
Lucas P. Mullen, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State