



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

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Warren G. Jenkins, CPA
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NEWS RELEASE

FOR RELEASE _____

October 28, 2002

Contact: Andy Nielsen
515/281-5515

Auditor of State Richard Johnson today released an audit report on the City of Liscomb, Iowa for the years ended June 30, 2002 and June 30, 2001. The audit was requested by the City as a result of various concerns pertaining to City records and fund balances.

Johnson reported that the City's receipts totaled \$167,753 for the year ended June 30, 2002. The receipts included \$38,946 in property tax, \$24,854 from the state, \$19,510 in local option sales tax collections and \$4,448 from interest on investments. Receipts totaled \$193,790 for the year ended June 30, 2001. The receipts included \$40,565 in property tax, \$24,208 from the state, \$31,661 in local option sales tax collections and \$9,205 from interest on investments. Receipts in 2002 decreased due primarily to the reallocation of local option sales tax (LOST) to other taxing bodies due to the passage of other LOST referendums in Marshall County.

Disbursements for the year ended June 30, 2002 totaled \$192,820 and included \$34,343 for community protection, \$17,541 for human development, \$130,430 for home and community environment, and \$10,506 for policy and administration. Disbursements for the year ended June 30, 2001 totaled \$216,688 and included \$34,679 for community protection, \$11,504 for human development, \$157,670 for home and community environment, and \$12,835 for policy and administration. Disbursements in 2002 decreased due primarily to the retirement of \$60,000 of sewer revenue bonds during 2001.

This report contains recommendations to the City Council and other City officials for improving internal controls. For example, the City should segregate accounting duties to the extent possible to ensure maximum control over receipts, disbursements, investments, long-term debt and payroll.

Johnson also recommended compliance with various statutory requirements. For example, the City should make sure all minutes are signed and properly published. Also budgets should be amended before disbursements are allowed to exceed the budgeted amount.

City officials have responded to each item in the report and stated that corrective action is being taken.

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 LISCOMB
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 2002 AND 2001

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City of Liscomb

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
June 30, 2002		
Terry Yocum	Mayor	Jan 2004
Darwin Bracy	Council Member	Jan 2004
Esther Mosher	Council Member	Jan 2004
Bob Terry	Council Member	Jan 2004
Daryl Cross	Council Member	Jan 2006
Garnet Small	Council Member	Jan 2006
Linda Cross	Clerk	(Resigned)
Angie Oaks (Appointed)	Clerk	(Resigned)
Betty Griffin (Appointed)	Clerk	Indefinite
Gene Beach	Attorney	Indefinite
June 30, 2001		
Jan Davis	Mayor	Jan 2002
Daryl Cross	Council Member	Jan 2002
Garnet Small	Council Member	Jan 2002
Darwin Bracy	Council Member	Jan 2004
Esther Mosher	Council Member	Jan 2004
Bob Terry	Council Member	Jan 2004
Betty Hagedorn	Clerk	(Resigned)
Linda Cross (Appointed)	Clerk	Indefinite
Gene Beach	Attorney	Indefinite

City of Liscomb



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Chief Deputy Auditor of State

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 Liscomb, Iowa, as of and for the two years ended June 30, 2002. These financial statements are the responsibility of the City of Liscomb'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 audits provide 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, 2000.

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, 2000, 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 Liscomb as of and for the two years ended June 30, 2002, and its indebtedness at June 30, 2001, and 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 August 15, 2002 on our consideration of the City of Liscomb'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 8 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, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 15, 2002

City of Liscomb

Financial Statements

City of Liscomb

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

	Governmental Fund Types			Proprietary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Fund Type Enterprise	
Receipts:					
Property tax	\$ 25,942	-	13,004	-	38,946
Other city tax	14,870	-	4,640	-	19,510
Licenses and permits	550	-	-	-	550
Use of money and property	6,175	-	-	968	7,143
Intergovernmental	3,067	21,787	-	-	24,854
Charges for service	10,540	-	-	58,225	68,765
Miscellaneous	7,453	282	-	250	7,985
Total receipts	68,597	22,069	17,644	59,443	167,753
Disbursements:					
Community Protection Program	34,343	-	-	-	34,343
Human Development Program	17,541	-	-	-	17,541
Home and Community Environment Program	52,706	19,975	21,645	36,104	130,430
Policy and Administration Program	10,506	-	-	-	10,506
Total disbursements	115,096	19,975	21,645	36,104	192,820
Excess (deficiency) of receipts over (under) disbursements	(46,499)	2,094	(4,001)	23,339	(25,067)
Balance beginning of year	156,418	5,514	199	70,609	232,740
Balance end of year	\$ 109,919	7,608	(3,802)	93,948	207,673

See notes to financial statements.

Exhibit B

City of Liscomb
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2001

	Governmental Fund Types			Proprietary Fund Type Enterprise	Total (Memorandum Only)
	General	Special Revenue	Debt Service		
Receipts:					
Property tax	\$ 26,016	-	14,549	-	40,565
Other city tax	23,661	-	8,000	-	31,661
Licenses and permits	475	-	-	-	475
Use of money and property	8,031	-	-	2,526	10,557
Intergovernmental	3,242	20,966	-	-	24,208
Charges for service	20,408	-	-	55,585	75,993
Miscellaneous	9,098	-	-	1,233	10,331
Total receipts	90,931	20,966	22,549	59,344	193,790
Disbursements:					
Community Protection Program	34,679	-	-	-	34,679
Human Development Program	11,504	-	-	-	11,504
Home and Community Environment Program	7,580	30,652	22,350	97,088	157,670
Policy and Administration Program	12,835	-	-	-	12,835
Total disbursements	66,598	30,652	22,350	97,088	216,688
Excess (deficiency) of receipts over (under) disbursements	24,333	(9,686)	199	(37,744)	(22,898)
Balance beginning of year	132,085	15,200	-	108,353	255,638
Balance end of year	\$ 156,418	5,514	199	70,609	232,740

See notes to financial statements.

City of Liscomb

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 38,946	39,159	(213)	99%
Other city tax	19,510	51,200	(31,690)	38%
Licenses and permits	550	475	75	116%
Use of money and property	7,143	14,822	(7,679)	48%
Intergovernmental	24,854	42,043	(17,189)	59%
Charges for service	68,765	61,992	6,773	111%
Miscellaneous	7,985	5,793	2,192	83%
Total receipts	<u>167,753</u>	<u>215,484</u>	<u>148,243</u>	<u>78%</u>
Disbursements:				
Community Protection Program	34,343	46,755	12,412	73%
Human Development Program	17,541	15,678	(1,863)	112%
Home and Community Environment Program	130,430	121,181	(9,249)	108%
Policy and Administration Program	10,506	12,848	2,342	82%
Total disbursements	<u>192,820</u>	<u>196,462</u>	<u>3,642</u>	<u>98%</u>
Excess (deficiency) of receipts over (under) disbursements	(25,067)	19,022		
Balance beginning of year	<u>232,740</u>	<u>215,181</u>		
Balance end of year	<u>\$ 207,673</u>	<u>234,203</u>		

See notes to financial statements.

Exhibit D

City of Liscomb

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2001

	Actual	Budget	Variance Favorable (Unfavorable)	Actual as % of Budget
Receipts:				
Property tax	\$ 40,565	37,332	3,233	109%
Other city tax	31,661	32,994	(1,333)	96%
Licenses and permits	475	475	-	100%
Use of money and property	10,557	11,000	(443)	96%
Intergovernmental	24,208	38,094	(13,886)	64%
Charges for service	75,993	57,800	18,193	131%
Miscellaneous	10,331	2,900	7,431	356%
Total receipts	<u>193,790</u>	<u>180,595</u>	<u>13,195</u>	<u>107%</u>
Disbursements:				
Community Protection Program	34,679	32,450	(2,229)	107%
Human Development Program	11,504	13,515	2,011	85%
Home and Community Environment Program	157,670	172,819	15,149	91%
Policy and Administration Program	12,837	16,455	3,618	78%
Total disbursements	<u>216,690</u>	<u>235,239</u>	<u>18,549</u>	<u>92%</u>
Deficiency of receipts under disbursements	(22,900)	(54,644)		
Balance beginning of year	<u>255,638</u>	<u>193,760</u>		
Balance end of year	<u>\$ 232,738</u>	<u>139,116</u>		

See notes to financial statements.

City of Liscomb

City of Liscomb

Statement of Indebtedness

Years ended June 30, 2002 and 2001

Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes: Street improvement	Dec 1, 1997	4.80-5.25%	\$ 170,000

Year ended June 30, 2001

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes: Street improvement	Dec 1, 1997	4.70-5.25%	\$ 170,000
Revenue bonds: Sewer	Apr 1, 1972	5.00%	\$ 130,000

See notes to financial statements.

Balance Beginning of Period	Issued During Period	Redeemed During Period	Balance End of Period	Interest Paid
125,000	-	15,000	110,000	6,345

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
140,000	-	15,000	125,000	7,050
60,000	-	60,000	-	5,750

City of Liscomb

Notes to Financial Statements

June 30, 2002 and 2001

(1) Summary of Significant Accounting Policies

The City of Liscomb is a political subdivision of the State of Iowa located in Marshall County. It was first incorporated in 1873 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 Liscomb 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 of Liscomb 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: Marshall County Assessor's Conference Board, Marshall County Emergency Management Commission and Marshall County Joint E911 Service Board.

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 Fund – The Special Revenue Fund is 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 Funds

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 Liscomb 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. 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 statements of cash transactions is captioned "Memorandum Only" to indicate that they are 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.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Notes Payable

At June 30, 2002, annual debt service requirements to maturity for the general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes		
	Corporate Purpose		
	Issued December 1, 1997		
	Interest Rates	Principal	Interest
2003	4.90%	\$ 15,000	5,625
2004	5.00	15,000	4,890
2005	5.10	20,000	4,140
2006	5.15	20,000	3,120
2007	5.20	20,000	2,090
2008	5.25	20,000	1,050
Total		\$ 110,000	20,915

(4) 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 years ended June 30, 2002 and 2001 were \$616 and \$609, respectively, equal to the required contributions for each year.

(5) Risk Management

The City of Liscomb 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 purchases of commercial insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past two fiscal years.

(6) Deficit Fund Balance

The Debt Service Fund had a deficit balance of \$3,802 at June 30, 2002. The deficit will be eliminated through a transfer from the General Fund.

(7) Budget Overexpenditures

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2001, disbursements in the Community Protection Program exceeded the amount budgeted before the budget was amended. During the year ended June 30, 2002, disbursements in the Human Development and Home and Community Environment Programs exceeded the amounts budgeted.

(8) Pending Litigation

The City is a defendant in a lawsuit. The probability and amount of loss, if any, is undeterminable.

City of Liscomb

Supplemental Information

Schedule 1

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

	General	Cemetery	First Responders	Fire Department	Total
Receipts:					
Property tax	\$ 25,942	-	-	-	25,942
Other city tax					
Local option sales tax	14,870	-	-	-	14,870
Licenses and permits	550	-	-	-	550
Use of money and property:					
Interest on investments	3,480	-	-	-	3,480
Rent	2,695	-	-	-	2,695
	6,175	-	-	-	6,175
Intergovernmental:					
State allocation	2,953	-	-	-	2,953
Bank franchise tax	114	-	-	-	114
	3,067	-	-	-	3,067
Charges for service:					
Township fees	10,540	-	-	-	10,540
Miscellaneous:					
Donations	775	-	1,341	4,467	6,583
Cemetery charges	-	80	-	-	80
Miscellaneous	790	-	-	-	790
	1,565	80	1,341	4,467	7,453
Total receipts	62,709	80	1,341	4,467	68,597
Disbursements:					
Community Protection Program:					
Police:					
Contractual services	3,100	-	-	-	3,100

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

	General	Cemetery	First Responders	Fire Department	Total
Disbursements (continued):					
Community Protection Program:					
Fire:					
Contractual services	13,696	-	-	-	13,696
Commodities	-	-	-	6,278	6,278
	13,696	-	-	6,278	19,974
First Responders:					
Contractual services	4,530	-	-	-	4,530
Commodities	-	-	1,120	-	1,120
	4,530	-	1,120	-	5,650
Civil Defense					
	390	-	-	-	390
	4,920	-	1,120	-	6,040
Street lighting					
	5,229	-	-	-	5,229
	26,945	-	1,120	6,278	34,343
Human Development Program:					
Health and Outreach:					
Contractual services	350	-	-	-	350
Park:					
Commodities	386	-	-	-	386
Capital outlay	10,778	-	-	-	10,778
	11,164	-	-	-	11,164
Community building:					
Contractual services	5,895	-	-	-	5,895

Schedule 1

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

	General	Cemetery	First Responders	Fire Department	Total
Disbursements (continued):					
Human Development Program:					
Animal control	132	-	-	-	132
	<u>17,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,541</u>
Home and Community Environment Program:					
Cemetery	2,286	-	-	-	2,286
Landfill	1,607	-	-	-	1,607
Roadway maintenance	48,813	-	-	-	48,813
	<u>52,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,706</u>
Policy and Administration Program:					
Personal services:					
Mayor	475	-	-	-	475
Clerk	2,449	-	-	-	2,449
	<u>2,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,924</u>
Contractual services:					
Legal fees	711	-	-	-	711
Tort liability	5,670	-	-	-	5,670
	<u>6,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,381</u>
Commodities	1,201	-	-	-	1,201
	<u>10,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,506</u>
Total disbursements	<u>107,698</u>	<u>-</u>	<u>1,120</u>	<u>6,278</u>	<u>115,096</u>
Excess (deficiency) of receipts over (under) disbursements	(44,989)	80	221	(1,811)	(46,499)
Balance beginning of year	140,610	11,480	1,165	3,163	156,418
Balance end of year	<u>\$ 95,621</u>	<u>11,560</u>	<u>1,386</u>	<u>1,352</u>	<u>109,919</u>

See accompanying independent auditor's report.

City of Liscomb
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2001

	General	Cemetery	First Responders	Fire Department	Total
Receipts:					
Property tax	\$ 26,016	-	-	-	26,016
Other city tax:					
Local option sales tax	23,661	-	-	-	23,661
Licenses and permits	475	-	-	-	475
Use of money and property:					
Interest on investments	6,679	-	-	-	6,679
Rent	1,352	-	-	-	1,352
	8,031	-	-	-	8,031
Intergovernmental:					
State allocation	3,059	-	-	-	3,059
Bank franchise tax	183	-	-	-	183
	3,242	-	-	-	3,242
Charges for service:					
Township fees	20,328	-	-	-	20,328
Cemetery	-	80	-	-	80
	20,328	80	-	-	20,408
Miscellaneous:					
Donations	740	-	238	3,556	4,534
Refunds and reimbursements	574	-	-	-	574
Fines and penalties	3,855	-	-	-	3,855
Miscellaneous	135	-	-	-	135
	5,304	-	238	3,556	9,098
Total receipts	87,057	80	238	3,556	90,931
Disbursements:					
Community Protection Program:					
Police:					
Contractual services	7,122	-	-	-	7,122
Fire:					
Contractual services	13,253	-	-	-	13,253
Commodities	-	-	-	4,772	4,772
	13,253	-	-	4,772	18,025

Schedule 2

City of Liscomb
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2001

	General	Cemetery	First Responders	Fire Department	Total
Disbursements (continued):					
Community Protection Program (continued):					
First Responders:					
Contractual services	2,917	-	-	-	2,917
Commodities	-	-	678	-	678
	2,917	-	678	-	3,595
Civil Defense	633	-	-	-	633
Street lighting	5,304	-	-	-	5,304
	29,229	-	678	4,772	34,679
Human Development Program:					
Health & Outreach:					
Commodities	250	-	-	-	250
Park:					
Commodities	262	-	-	-	262
Capital outlay	6,065	-	-	-	6,065
	6,327	-	-	-	6,327
Community building:					
Contractual services	4,927	-	-	-	4,927
	11,504	-	-	-	11,504
Home and Community Environment Program:					
Cemetery	7,179	-	-	-	7,179
Landfill	191	-	-	-	191
Administration	210	-	-	-	210
	7,580	-	-	-	7,580
Policy and Administration Program:					
Personal services:					
Mayor	927	-	-	-	927
Clerk	3,364	-	-	-	3,364
	4,291	-	-	-	4,291

City of Liscomb
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2001

	General	Cemetery	First Responders	Fire Department	Total
Disbursements (continued):					
Policy and Administration Program:					
Contractual services:					
Legal fees	458	-	-	-	458
Tort liability	1,972	-	-	-	1,972
Administrative	6,114	-	-	-	6,114
	<u>8,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,544</u>
	12,835	-	-	-	12,835
Total disbursements	<u>61,148</u>	<u>-</u>	<u>678</u>	<u>4,772</u>	<u>66,598</u>
Excess (deficiency) of receipts over (under) disbursements	25,909	80	(440)	(1,216)	24,333
Balance beginning of year	114,701	11,400	1,605	4,379	132,085
Balance end of year	<u>\$ 140,610</u>	<u>11,480</u>	<u>1,165</u>	<u>3,163</u>	<u>156,418</u>

See accompanying independent auditor's report.

Schedule 3

City of Liscomb
Schedule of Cash Transactions
Special Revenue Fund
Year ended June 30, 2002

	<u>Road Use Tax</u>
Receipts:	
Intergovernmental:	
Road use tax allocation	\$ 21,787
Miscellaneous:	
Refunds and reimbursements	282
Total receipts	<u>22,069</u>
Disbursements:	
Home and Community Environment Program:	
Contractual services	<u>19,975</u>
Excess of receipts over disbursements	2,094
Balance beginning of year	<u>5,514</u>
Balance end of year	<u><u>\$ 7,608</u></u>

See accompanying independent auditor's report.

City of Liscomb
 Schedule of Cash Transactions
 Special Revenue Fund
 Year ended June 30, 2001

	Road Use Tax
Receipts:	
Intergovernmental:	
Road use tax allocation	\$ 20,966
Disbursements:	
Home and Community Environment Program:	
Contractual services	30,652
Deficiency of receipts under disbursements	(9,686)
Balance beginning of year	15,200
Balance end of year	\$ 5,514

See accompanying independent auditor's report.

Schedule 5

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

Receipts:	
Property tax	\$ 13,004
Other city tax:	
Local option sales tax	4,640
Total receipts	<u>17,644</u>
Disbursements:	
Home and Community Environment Program:	
Debt service:	
Principal redemption	15,000
Interest payment	6,345
Registrar fee	300
Total disbursements	<u>21,645</u>
Deficiency of receipts under disbursements	(4,001)
Balance beginning of year	<u>199</u>
Balance end of year	<u>\$ (3,802)</u>

See accompanying independent auditor's report.

City of Liscomb
 Schedule of Cash Transactions
 Debt Service Fund
 Year ended June 30, 2001

Receipts:	
Property tax	\$ 14,549
Other city tax:	
Local option sales tax	8,000
Total receipts	<u>22,549</u>
Disbursements:	
Home and Community Environment Program:	
Debt service:	
Principal redemption	15,000
Interest payment	7,050
Registrar fee	300
Total disbursements	<u>22,350</u>
Excess of receipts over disbursements	199
Balance beginning of year	<u>-</u>
Balance end of year	<u><u>\$ 199</u></u>

See accompanying independent auditor's report.

Schedule 7

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

	Water	Sewer Rental	Total
Receipts:			
Use of money and property:			
Interest on investments	\$ 683	285	968
Charges for service:			
Sale of water	41,714	-	41,714
Sewer rental fees	-	16,511	16,511
	41,714	16,511	58,225
Miscellaneous:			
Deposits and fees	250	-	250
Total receipts	42,647	16,796	59,443
Disbursements:			
Home and Community Environment Program:			
Contractual services	12,609	8,992	21,601
Commodities	14,503	-	14,503
Total disbursements	27,112	8,992	36,104
Excess of receipts over disbursements	15,535	7,804	23,339
Balance beginning of year	47,505	23,104	70,609
Balance end of year	\$ 63,040	30,908	93,948

See accompanying independent auditor's report.

City of Liscomb
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2001

	Water	Sewer Rental	Total
Receipts:			
Use of money and property:			
Interest on investments	\$ 442	2,084	2,526
Charges for service:			
Sale of water	39,550	-	39,550
Sewer rental fees	-	16,035	16,035
	39,550	16,035	55,585
Miscellaneous:			
Deposits and fees	400	-	400
Miscellaneous	-	833	833
	400	833	1,233
Total receipts	40,392	18,952	59,344
Disbursements:			
Home and Community Environment Program:			
Contractual services	-	6,295	6,295
Commodities	13,306	-	13,306
Capital outlay	11,737	-	11,737
Debt service:			
Principal redemption	-	60,000	60,000
Interest payment	-	5,750	5,750
Total disbursements	25,043	72,045	97,088
Excess (deficiency) of receipts over (under) disbursements	15,349	(53,093)	(37,744)
Balance beginning of year	32,156	76,197	108,353
Balance end of year	\$ 47,505	23,104	70,609

See accompanying independent auditor's report.

City of Liscomb



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Chief Deputy Auditor of State

**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 Liscomb, Iowa, as of and for the two years ended June 30, 2002, and have issued our report thereon dated August 15, 2002. 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, 2000.

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 Liscomb'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's operations for the two years 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 Liscomb'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 Liscomb'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, of the reportable conditions described above, we believe item (A) is a material weakness.

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 Liscomb and other parties to whom the City of Liscomb 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 Liscomb 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 15, 2002

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

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 handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Cash - preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
- (2) Investments - detailed record keeping, custody of investments and reconciling earnings.
- (3) Receipts - collecting, depositing, journalizing and posting.
- (4) Utility receipts - billing, collecting, depositing, posting and reconciling.
- (5) Disbursements - purchasing, check signing, recording and reconciling.
- (6) Payroll - preparing and distributing.
- (7) Long-term debt recording, reconciling and performing cash functions.
- (8) Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City Clerk will be making suggestions to the City Council as to appointing committees that the Council will serve on, with Council Members rotating duties every six months.

Conclusion - Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquencies. The Council or Council-designated independent person should review the reconciliations and monitor delinquencies.

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

Response - The City Clerk will be implementing the proper procedures with the new CMS system and will be sharing this information with the City Council and Mayor.

Conclusion - Response accepted.

- (C) Record of Investments - A detailed record of investment transactions was not maintained.

Recommendation - A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response - The City Clerk is in the process of starting an investment journal and will have it updated monthly.

Conclusion - Response accepted.

- (D) Information System - During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- requiring password changes because software does not require the user to change logins/passwords periodically or to maintain password privacy.
- the storage of backup tapes/disks off site.
- the usage of the anti-virus program(s).
- a disaster recovery plan.

Recommendation - The City should develop written policies addressing the above items in order to improve the City's control over its information system.

Response - The City Clerk is in the process of setting up a procedures manual for the current computer system. In this manual, it will state the amount of time for password changes, anti-virus programs and how to do a recovery and disaster plan. Also, we will be making plans for an off-site storage place for back-up tapes/disks. Also, we will be adding an anti-virus program to the current computer program.

Conclusion - Response accepted.

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

- (E) Unused Checks - Unused checks are not properly safeguarded. Several checks were signed in advance by the Mayor.

Recommendation - Unused checks should be properly safeguarded. Checks should not be signed in advance.

Response - The City Clerk will no longer have the Mayor sign checks in advance. The City Clerk shall also have a secure place to store checks until they are used.

Conclusion - Response accepted.

- (F) Record of Account - The Liscomb Volunteer Fire Department and First Responders maintain separate accounting records pertaining to their operations. These transactions and the resulting balances are not recorded in the Clerk's records. 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."

Recommendation - For better accountability, financial and budgetary control the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response -

- Fire Department - The Fire department will comply and send a report of financial activity at year-end.
- First Responders - We will comply by remitting a report of all transactions at the end of the year in December.

Conclusion - Response acknowledged. The City should consider monthly reporting for better accountability, financial and budgetary control.

- (G) Accounting Policies and Procedures Manual - The City does not have an 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 personnel by providing job descriptions.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

Response - The City Clerk will be preparing an accounting policies and procedures manual which will also include job descriptions and what each job entails.

Conclusion - Response accepted.

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

- (H) Mileage Reimbursement - The City has not established a mileage reimbursement rate for City employees traveling on City business.

Recommendation - The City should adopt a mileage reimbursement rate to reimburse City employees traveling on City business.

Response - A mileage reimbursement rate will be established.

Conclusion - Response accepted.

- (I) Disbursements - Certain invoices and other supporting documentation were not canceled to help prevent duplicate payment.

Recommendation - Invoices and other supporting documentation should be canceled when paid to help prevent duplicate payments.

Response - This is now being done by the City Clerk.

Conclusion - Response accepted.

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has not been approved.

Recommendation - The City should approve a written depository resolution detailing the approved bank and the maximum deposit amount as required by Chapter 12C.2 of the Code of Iowa.

Response - The City Clerk is in the process of preparing a resolution book with all current resolutions listed in it. A depository resolution will be approved and listed in this book.

Conclusion - Response accepted.

- (2) Certified Budget - Disbursements during the year ended June 30, 2001 exceeded the amount budgeted in the Home and Community Environment Program before the budget was amended. Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Human Development and Home and Community Environment 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - This will not happen again as the City now knows the correct procedure to follow. This comment is in reference to the past, not the present, City Clerk.

Conclusion - Response accepted.

- (3) Questionable Disbursements - Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Lowes Flowers	Flowers for employee's spouse illness	\$ 42
Lowes Flowers	Flowers for Council Member's spouse illness	31

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

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

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

Response - The City will have the procedures manual in place and in the future will follow written policy.

Conclusion - Response accepted.

- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title, and Business Connection	Transaction Description	Amount
Richard Small, Spouse of Council Member, Owner of J & R Auto Repair	Oil and filters	\$ 20
Bob Terry , Council Member, Owner of Terry's Restoration & Repair	Repair monuments Rock around lagoon and cleanup	500 435

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (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 coverage is adequate for current operations.
- (7) Council Minutes - Except as noted, no transactions were found that we believe should have been approved in the Council minutes but were not.

The minutes were not all signed.

The minutes did not document the affirmative roll call vote of at least two-thirds of the Council Members before going into closed session. The specific exemption for which the meetings were closed was also not identified and documented as required by Chapter 21.5 of the Code of Iowa.

The City did not publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries/compensation in accordance with an Attorney General's opinion date April 12, 1978.

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

Disbursements were not listed by fund showing the purpose of the disbursement in accordance with an Attorney General's opinion dated April 12, 1978.

A summary of receipts by source was not published.

Recommendation - Minutes should be signed by the Mayor and City Clerk. The City should comply with Chapter 372.13(6) of the Code of Iowa and publish minutes and annual salaries as required. Minutes should indicate the vote of each Council Member present based upon Chapter 21.5 of the Code of Iowa for closed sessions.

Response - The City Clerk is implementing these requirements in the current minutes and will be doing so in the future.

Conclusion - Response accepted.

- (8) Deposits and Investments - The City has not approved a written investment policy. Also, the interest rate on certain time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. Public fund time certificates of deposit, when renewed, should be renewed at a rate of interest which conforms with current rates for public funds on date of renewal.

Response - The Clerk is in the process of making up a written investment policy. The City will work with the local bank and make sure that we both follow the Code of Iowa.

Conclusion - Response accepted.

- (9) Employee Withholdings and Reporting - Compensation paid to two former City Clerks was not included in the payroll records and, as a result, the required social security and medicare withholdings were not deducted from the compensation and the resulting City match was not paid to the Internal Revenue Service. In addition, the City did not report these wages on IRS forms W-2 and 941.

Recommendation - The City should withhold social security and medicare taxes on wages paid to employees and report the wages as required. In addition, the City should contact the Internal Revenue Service to resolve this matter.

Response - The City will notify the employees and let them know what has happened and will do a follow-through with the appropriate departments.

Conclusion - Response accepted.

City of Liscomb

Schedule of Findings

Years ended June 30, 2002 and 2001

- (10) Contract Labor - The City did not file a Form 1099 with the Internal Revenue Service for contract labor paid in excess of \$600.

Recommendation - The City should insure that all 1099 forms are properly completed and filed.

Response - The City Clerk will make sure that the proper forms are filed and filled out properly.

Conclusion - Response accepted.

- (11) Additional Compensation - A Council Member received an hourly fee for mowing the cemetery.

Recommendation - This appears to violate Chapter 372.13(8) of the Code of Iowa which states that "a City officer shall not receive any other compensation for any other City office or employment during that officer's tenure in office." The City should consult legal counsel to determine the disposition of this matter.

Response - The City will be in the process of correcting this in the future.

Conclusion - Response accepted.

- (12) Local Option Sales Tax - The ballot language for referendum on Local Option Sales Tax did not state how the proceeds would be used.

Recommendation - In the future, the referendum should document the approximate percentage of Local Option Sales Tax revenue that will be used for property tax relief, or the referendum should clearly indicate the specific purpose for which the Local Option Sales Tax will be spent if for purposes other than property tax relief.

Response - The City Clerk is in the process of working with the Marshall County Auditor's Elections Department in the correct wording and the correct form for the Local Option Sales Tax. It will also state as to what the money is to be used for.

Conclusion - Response accepted.

City of Liscomb

Staff

This audit was performed by:

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