

**CITY OF LAURENS, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-8
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	9-10
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	11-12
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-21
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		22-23
Notes to Required Supplementary Information – Budgetary Reporting		24
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	25-28
Schedule of Indebtedness	2	29-30
Bond and Note Maturities	3	31
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	32
Schedule of Expenditures of Federal Awards	5	33

Table of Contents (continued)

	<u>Page</u>
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 <u>Government Auditing Standards</u>	34-35
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	36-37
Schedule of Findings and Questioned Costs	38-42

**City of Laurens, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2006)</b>		
Peter Hong	Mayor	Jan 2008
Linda Bieri	Council Member	Jan 2006
Rod Johnson	Council Member	Jan 2006
Randy Hopkins	Council Member	Jan 2008
Kent Radford	Council Member	Jan 2008
Brooks Anderson	Council Member	Jan 2008
<b>(After January 2006)</b>		
Peter Hong	Mayor	Jan 2008
Randy Hopkins	Council Member	Jan 2008
Kent Radford	Council Member	Jan 2008
Brooks Anderson	Council Member	Jan 2010
Linda Bieri	Council Member	Jan 2010
Jessi Newgard	Council Member	Jan 2010
Eloise Enger	City Clerk	Jan 2007
Ann Beneke	Attorney	Jan 2007

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

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 Laurens, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Laurens' management. 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 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 our audit provides a reasonable basis for our opinions.

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.

The financial statements referred to above include only the primary government of the City of Laurens, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Laurens, Iowa as of June 30, 2006 and the changes in cash basis financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

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 for the primary government of the City of Laurens, Iowa as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2007 on our consideration of the City of Laurens' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurens' primary government's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 6, 2007

**CITY OF LAURENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

City of Laurens provides this Management's Discussion and Analysis of its financial statements. This discussion and analysis is intended to be an easily readable analysis of the City of Laurens' financial activities for the fiscal year ended June 30, 2006. Readers should consider this information in conjunction with the City's financial statements, which follow.

**Basis of Accounting**

The City has presented its financial statements on a cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from the cash transactions. As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Financial Highlights**

- The City's operating revenues increased 112.5%, or \$1,576,804, from 2005 to 2006.
- The City's operating expenses increased 121.3%, or \$1,698,374 from 2005 to 2006.
- The big increase is due to Capital Project activity.
- Three Capital Projects were continued during this fiscal year.
  1. The city received a CDBG grant & SRF loan to dig a well as the city is operating on one well. Expenditures for the 2005/2006 fiscal year were \$143,000.
  2. The city received a RISE grant to replace a section of street to accommodate the arrival of Jack Links. Expenditures for the 2005/2006 fiscal year were \$80,473.
  3. The City received an SRF loan to construct an improved sewer treatment plant. Expenditures for the 2005/2006 fiscal year were \$883,712.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps, answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

## Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursement and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprises Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Receipts by Source and Disbursements by Function

#### All Governmental Funds For the Last Three Years

	2006	2005	2004
Receipts:			
Property tax	341,730	366,286	344,293
Other city tax	93,577	128,542	16,041
Licenses and permits	2,765	2,217	2,280
Use of money and property	67,629	61,223	57,717
Intergovernmental	885,985	222,930	309,472
Charges for service	247,509	251,257	240,686
Special assessments	12,856	6,663	9,985
Miscellaneous	52,333	30,872	27,675
Total	1,704,384	1,069,990	1,008,149

Disbursements:			
Operating			
Public safety	316,591	217,117	213,452
Public works	308,145	378,289	311,777
Culture and recreation	175,591	169,850	180,416
Community& economic dev.	69	17	13
General government	76,955	80,362	71,999
Debt service	148,253	147,758	152,072
Capital projects	734,794	10,780	29,287
Total	1,760,398	1,004,173	959,016
Transfers in (out)	12,000	12,000	3,000
Increase (decrease)	(44,014)	77,817	52,133
Cash basis - beginning of year	1,121,298	1,043,481	991,348
Cash basis – end of year	1,077,284	1,121,298	1,043,481

Receipts by Source and Disbursements by Function  
All Proprietary Funds  
For the Last Three Years

	2006	2005	2004
Receipts:			
Operating receipts	362,288	323,214	309,290
Operating disbursements	1,274,733	395,452	329,780
Operating income	(912,445)	(72,238)	(20,490)
Other financing sources	912,192	8,856	---
Debt service	(62,868)	---	---
Transfers in (out)	(12,000)	(12,000)	(3,000)
Increase (decrease)	(75,121)	(75,382)	(23,490)
Cash basis – beginning of year	492,021	567,403	590,893
Cash basis – end of year	416,900	492,021	567,403

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

- The General Fund increased approximately \$85,000 from 2005 to \$586,000.
- The Capital Project – Link Snacks Fund received a grant of approximately \$653,000 which was given to Jack Links for the purchase of equipment.

## **INDIVIDUAL MAJOR PROPRIETARY FUND ANALYSIS**

- The Water Fund had additional receipts and disbursements of approximately \$111,000 and \$143,000 respectively due to a Well project. The cash balance at the end of the year was \$384,000.
- The Sewer Fund had additional receipts and disbursements of approximately \$806,000 and \$884,000 respectively due to construction of an improved Sewer Treatment Plant. The cash balance at the end of the year was \$26,000.

## **BUDGETARY HIGHLIGHTS**

The City amended its budget once during the year, due to the additional receipts and disbursements related to its capital projects.

## **DEBT ADMINISTRATION**

### **Outstanding Debt at Year-End**

		June 30,		
	2006	2005	2004	
General obligation bonds	\$ 610,000	725,000	835,000	
Revenue bonds	731,482	---	---	

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's budget should decrease next year as the wastewater treatment improvements are substantially completed.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Jillian Krieg, City Clerk, 272 N. Third Street, P.O. Box 148, Laurens, Iowa 50554 or telephone 712-841-4526.

## **Basic Financial Statements**

City of Laurens, Iowa  
Statement of Activities and Net Assets - Cash Basis  
As of and for the year ended June 30, 2006

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 316,591	59,827	16,639	-
Public works	308,145	171,962	123,579	-
Culture and recreation	175,591	25,305	7,021	-
Community and economic development	69	-	-	-
General government	76,955	4,920	-	-
Debt service	148,253	-	-	-
Capital projects	734,794	-	-	653,222
Total governmental activities	<u>1,760,398</u>	<u>262,014</u>	<u>147,239</u>	<u>653,222</u>
Business type activities:				
Water	357,391	233,151	-	44,990
Sewer	979,590	123,195	-	100,000
Other nonmajor	620	-	-	-
Total business type activities	<u>1,337,601</u>	<u>356,346</u>	<u>-</u>	<u>144,990</u>
Total	<u>\$ 3,097,999</u>	<u>618,360</u>	<u>147,239</u>	<u>798,212</u>

**General Receipts:**

Property tax levied for:  
    General purposes  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
Loan proceeds  
Transfers  
Total general receipts and transfers  
Change in cash basis net assets  
Cash basis net assets beginning of year  
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
    Debt service  
    Other purposes  
Unrestricted

**Total cash basis net assets**

See notes to financial statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(240,125)	-	(240,125)
(12,604)	-	(12,604)
(143,265)	-	(143,265)
(69)	-	(69)
(72,035)	-	(72,035)
(148,253)	-	(148,253)
(81,572)	-	(81,572)
<u>(697,923)</u>	<u>-</u>	<u>(697,923)</u>
-	(79,250)	(79,250)
-	(756,395)	(756,395)
-	(620)	(620)
-	(836,265)	(836,265)
<u>(697,923)</u>	<u>(836,265)</u>	<u>(1,534,188)</u>
239,942	-	239,942
109,288	-	109,288
71,374	-	71,374
136,718	-	136,718
84,587	5,942	90,529
-	767,202	767,202
12,000	(12,000)	-
<u>653,909</u>	<u>761,144</u>	<u>1,415,053</u>
(44,014)	(75,121)	(119,135)
<u>1,121,298</u>	<u>492,021</u>	<u>1,613,319</u>
<u>\$ 1,077,284</u>	<u>416,900</u>	<u>1,494,184</u>
22,291	-	22,291
202,988	223,285	426,273
852,005	193,615	1,045,620
<u>\$ 1,077,284</u>	<u>416,900</u>	<u>1,494,184</u>

City of Laurens, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2006

	<u>General</u>	<u>Capital Project - Link Snacks</u>
Receipts:		
Property tax	\$ 199,244	-
Other city tax	18,216	-
Licenses and permits	2,765	-
Use of money and property	67,629	-
Intergovernmental	109,184	653,222
Charges for service	247,509	-
Special assessments	4,000	-
Miscellaneous	49,009	-
Total receipts	697,556	653,222
Disbursements:		
Operating:		
Public safety	299,058	-
Public works	165,155	-
Culture and recreation	166,306	-
Community and economic development	69	-
General government	73,268	-
Debt service	-	-
Capital projects	-	654,322
Total disbursements	703,856	654,322
Excess (deficiency) of receipts over (under) disbursements	(6,300)	(1,100)
Other financing sources (uses):		
Operating transfers in	101,322	-
Operating transfers out	(9,660)	-
Total other financing sources (uses)	91,662	-
Net change in cash balances	85,362	(1,100)
Cash balances beginning of year	500,797	(626)
Cash balances end of year	\$ 586,159	(1,726)
<b>Cash Basis Fund Balances</b>		
Reserved:		
Debt service	\$ -	-
Unreserved:		
General fund	586,159	-
Special revenue funds	-	-
Capital projects funds	-	(1,726)
Permanent funds	-	-
Total cash basis fund balances	\$ 586,159	\$ (1,726)

See notes to financial statements.

Exhibit B

Other Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
142,486	341,730
75,361	93,577
-	2,765
-	67,629
123,579	885,985
-	247,509
8,856	12,856
3,324	52,333
<u>353,606</u>	<u>1,704,384</u>
17,533	316,591
142,990	308,145
9,285	175,591
-	69
3,687	76,955
148,253	148,253
80,472	734,794
<u>402,220</u>	<u>1,760,398</u>
<u>(48,614)</u>	<u>(56,014)</u>
38,797	140,119
<u>(118,459)</u>	<u>(128,119)</u>
<u>(79,662)</u>	<u>12,000</u>
(128,276)	(44,014)
<u>621,127</u>	<u>1,121,298</u>
<u>492,851</u>	<u>1,077,284</u>
22,291	22,291
-	586,159
228,846	228,846
176,946	175,220
64,768	64,768
<u>\$ 492,851</u>	<u>\$ 1,077,284</u>

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

As of and for the year ended June 30, 2006

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Meter Deposit</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 233,151	123,195	-	356,346
Miscellaneous	-	5,942	-	5,942
Total operating receipts	<u>233,151</u>	<u>129,137</u>	<u>-</u>	<u>362,288</u>
Operating disbursements:				
Business type activities	<u>342,742</u>	<u>931,371</u>	<u>620</u>	<u>1,274,733</u>
Total operating disbursements	<u>342,742</u>	<u>931,371</u>	<u>620</u>	<u>1,274,733</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(109,591)</u>	<u>(802,234)</u>	<u>(620)</u>	<u>(912,445)</u>
Other financing sources (uses):				
Intergovernmental	44,990	100,000	-	144,990
Loan Proceeds	65,708	701,494	-	767,202
Debt Service	(14,649)	(48,219)	-	(62,868)
Operating transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(12,000)</u>
Total other financing sources (uses)	<u>90,049</u>	<u>747,275</u>	<u>-</u>	<u>837,324</u>
Net change in cash balances	(19,542)	(54,959)	(620)	(75,121)
Cash balances beginning of year	<u>403,600</u>	<u>81,159</u>	<u>7,262</u>	<u>492,021</u>
Cash balances end of year	<u>\$ 384,058</u>	<u>26,200</u>	<u>6,642</u>	<u>416,900</u>
<b>Cash Basis Fund Balances</b>				
Reserved for improvements	\$ 213,136	10,149	-	223,285
Unreserved	<u>170,922</u>	<u>16,051</u>	<u>6,642</u>	<u>193,615</u>
Total cash basis fund balances	<u>\$ 384,058</u>	<u>26,200</u>	<u>6,642</u>	<u>416,900</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

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

The City of Laurens, Iowa is a political subdivision of the State of Iowa located in Pocahontas County. It was first incorporated in 1902 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 water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Laurens, Iowa has included only the primary government of the City of Laurens, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government.

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: Pocahontas County Assessor's Conference Board and Pocahontas County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets 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 services.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

Capital Projects:

The Link Snacks Fund is used to account for a grant received for a local company to purchase fixed assets.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

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

C. Measurement Focus and Basis of Accounting

The City of Laurens 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 assets 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.

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

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary

Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business type activities functions.

(2) **Cash**

The City's deposits in banks at June 30, 2006 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 insure there will be no loss of public funds.

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

The City had no investments at June 30, 2006. During the year ended June 30, 2006, the City invested its excess funds in a savings account and certificates of deposit.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

**(3) Notes Payable**

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

Year Ending <u>June 30,</u>	General Obligation Notes		Special Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 120,000	28,402	51,000	21,944	171,000	50,346
2008	125,000	23,170	52,000	20,414	177,000	43,584
2009	130,000	17,560	55,000	18,854	185,000	36,414
2010	75,000	11,520	54,268	17,204	129,268	28,724
2011	80,000	7,920	42,000	15,576	122,000	23,496
2012	80,000	4,000	43,000	14,316	123,000	18,316
2013	---	---	44,000	13,026	44,000	13,026
2014	---	---	46,000	11,706	46,000	11,706
2015	---	---	47,000	10,326	47,000	10,326
2016	---	---	49,000	8,916	49,000	8,916
2017	---	---	50,000	7,446	50,000	7,446
2018	---	---	52,000	5,946	52,000	5,946
2019	---	---	53,000	4,386	53,000	4,386
2020	---	---	55,000	2,796	55,000	2,796
2021	---	---	<u>38,214</u>	<u>1,146</u>	<u>38,214</u>	<u>1,146</u>
	<u>\$ 610,000</u>	<u>92,572</u>	<u>731,482</u>	<u>174,002</u>	<u>1,341,482</u>	<u>266,574</u>
	=====	=====	=====	=====	=====	=====

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient rates shall be charged to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest due on the revenue bond in the same year.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

**(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$21,437, \$20,901, and \$21,123, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation pay payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 8,700 =====

This liability has been computed based on rates of pay in effect June 30, 2006.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

**(6) Risk Management**

The City of Laurens, Iowa is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise:	
	Sewer	\$ 6,000
	Water	6,000
	Capital Projects:	
	Capital Equipment	89,322
Debt Service:	Special Revenue:	
	Local Option Sales Tax	29,137
Capital Projects: Recycling Grant	General	<u>9,660</u>
Total		\$ 140,119 =====

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

**(8) Deficit Fund Balance**

The Capital Projects Fund – Links Project and Rise Project has deficit balances of \$1,726 and \$90,626 respectively at June 30, 2006. These deficit balances are due to project costs being incurred prior to receipt of funds.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2006

**(9) Capital Lease**

The City entered into a lease purchase agreement for \$66,229 to purchase a garbage truck. Total payments made for the year ended June 30, 2006 were \$11,246. Payments are due as follows:

Year Ending <u>June 30,</u>	<u>Lease Purchase Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 9,348	1,899
2008	9,942	1,305
2009	<u>10,574</u>	<u>672</u>
Total	<u>29,864</u>	<u>3,876</u>
	=====	=====

**(10) Construction Commitments**

The City of Laurens has committed to several projects as of June 30, 2006. The well project will be approximately \$602,000 and will be paid from a federal grant and state revolving loan funds. As of June 30, 2006 approximately \$168,000 has been expended for this project.

The Rise project will be approximately \$67,800 and will be paid from a Rise grant and state revolving loan funds. As of June 30, 2006 approximately \$31,000 has been expended.

## **Required Supplementary Information**

City of Laurens, Iowa

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 341,730	-
Other city tax	93,577	-
Licenses and permits	2,765	-
Use of money and property	67,629	-
Intergovernmental	885,985	144,990
Charges for service	247,509	356,346
Special assessments	12,856	-
Miscellaneous	52,333	5,942
Total receipts	<u>1,704,384</u>	<u>507,278</u>
Disbursements:		
Public safety	316,591	-
Public works	308,145	-
Culture and recreation	175,591	-
Community and economic development	69	-
General government	76,955	-
Debt service	148,253	-
Capital projects	734,794	-
Business type activities	-	1,337,601
Total disbursements	<u>1,760,398</u>	<u>1,337,601</u>
Excess (deficiency) of receipts over (under) disbursements	(56,014)	(830,323)
Other financing sources, net	<u>12,000</u>	<u>755,202</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(44,014)	(75,121)
Balances beginning of year	<u>1,121,298</u>	<u>492,021</u>
Balances end of year	<u>\$ 1,077,284</u>	<u>416,900</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
341,730	340,585	340,585	1,145
93,577	129,079	135,534	(41,957)
2,765	2,270	2,270	495
67,629	49,565	80,365	(12,736)
1,030,975	240,768	246,868	784,107
603,855	629,187	547,687	56,168
12,856	7,795	7,795	5,061
58,275	16,000	40,600	17,675
<u>2,211,662</u>	<u>1,415,249</u>	<u>1,401,704</u>	<u>809,958</u>
316,591	261,866	341,866	25,275
308,145	392,229	401,429	93,284
175,591	175,954	188,199	12,608
69	12,550	12,550	12,481
76,955	82,753	82,753	5,798
148,253	148,253	148,253	-
734,794	-	2,376,379	1,641,585
1,337,601	391,544	391,544	(946,057)
<u>3,097,999</u>	<u>1,465,149</u>	<u>3,942,973</u>	<u>844,974</u>
(886,337)	(49,900)	(2,541,269)	1,654,932
<u>767,202</u>	<u>-</u>	<u>2,376,379</u>	<u>(1,609,177)</u>
(119,135)	(49,900)	(164,890)	45,755
<u>1,613,319</u>	<u>1,614,664</u>	<u>1,614,664</u>	<u>(1,345)</u>
<u><u>1,494,184</u></u>	<u><u>1,564,764</u></u>	<u><u>1,449,774</u></u>	<u><u>44,410</u></u>

City of Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted receipts by \$13,545, increased budgeted disbursements by \$2,477,824 and increased other financing sources by \$2,376,379. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business type activities function.

## **Other Supplementary Information**

City of Laurens, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue		
	Police Special	Employee Benefits	Housing Incentive
Receipts:			
Property tax	\$ -	33,198	-
Other city tax	-	933	-
Intergovernmental	-	-	-
Special assessments			
Miscellaneous	2,237	207	-
Total receipts	2,237	34,338	-
Disbursements:			
Operating:			
Public safety	-	17,533	-
Public works	-	4,000	-
Culture and recreation	-	9,285	-
General government	1,507	2,180	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,507	32,998	-
Excess (deficiency) of receipts over (under) disbursements	730	1,340	-
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in cash balances	730	1,340	-
Cash balances beginning of year	560	17,940	3,905
Cash balances end of year	\$ 1,290	19,280	3,905
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt Service	-	-	-
Unreserved:			
Special revenue funds	\$ 1,290	19,280	3,905
Capital project funds	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 1,290	19,280	3,905

See accompanying independent auditor's report.

Special Revenue				Debt Service
<u>TIF</u>	<u>Unemployment</u>	Road Use Tax	Local Option Sales Tax	<u>Debt Service</u>
-	-	-	-	109,288
-	-	-	71,374	3,054
-	-	123,579	-	8,856
-	-	-	-	-
-	-	123,579	71,374	121,198
-	-	-	-	-
-	-	138,990	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	148,253
-	-	-	-	-
-	-	138,990	-	148,253
-	-	(15,411)	71,374	(27,055)
-	-	-	-	29,137
-	-	-	(29,137)	-
-	-	-	(29,137)	29,137
-	-	(15,411)	42,237	2,082
20,877	6,135	84,815	65,718	20,209
20,877	6,135	69,404	107,955	22,291
-	-	-	-	22,291
20,877	6,135	69,404	107,955	-
-	-	-	-	-
-	-	-	-	-
20,877	6,135	69,404	107,955	22,291

(continued)

City of Laurens, Iowa

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

As of and for the year ended June 30, 2006

	Capital Projects		
	Downtown <u>Project</u>	Capital <u>Equipment</u>	Recycling <u>Grant</u>
Receipts:			
Property tax	\$ -	-	-
Other city tax	-	-	-
Intergovernmental	-	-	-
Special Assessments	-	-	-
Miscellaneous	-	-	-
Total receipts	-	-	-
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Debt Service	-	-	-
Capital projects	-	-	-
Total disbursements	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	-	-
Other financing sources (uses):			
Operating transfers in	-	-	9,660
Operating transfers out	-	(89,322)	-
Total other financing sources (uses)	-	(89,322)	9,660
Net change in cash balances	-	(89,322)	9,660
Cash balances beginning of year	11,324	345,570	(9,660)
Cash balances end of year	\$ 11,324	256,248	-
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt Service	-	-	-
Unreserved:			
Special revenue funds	\$ -	-	-
Capital project funds	11,324	256,248	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 11,324	256,248	-

See accompanying independent auditor's report.

Schedule 1

Capital Projects	Permanent			
Rise Project	Cemetery Perpetual Care	Library Trust		Total
-	-	-	-	142,486
-	-	-	-	75,361
-	-	-	-	123,579
-	-	-	-	8,856
-	880	-	-	3,324
-	880	-	-	353,606
-	-	-	-	17,533
-	-	-	-	142,990
-	-	-	-	9,285
-	-	-	-	3,687
-	-	-	-	148,253
80,472	-	-	-	80,472
80,472	-	-	-	402,220
(80,472)	880	-	-	(48,614)
-	-	-	-	38,797
-	-	-	-	(118,459)
-	-	-	-	(79,662)
(80,472)	880	-	-	(128,276)
(10,154)	56,023	7,865	-	621,127
(90,626)	56,903	7,865	-	492,851
-	-	-	-	22,291
-	-	-	-	228,846
(90,626)	-	-	-	176,946
-	56,903	7,865	-	64,768
(90,626)	56,903	7,865	-	492,851

City of Laurens, Iowa  
 Schedule of Indebtedness  
 Year ended June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Essential corporate purpose:			
Water well improvements	Mar 1, 1999	4.10-4.70%	\$ 490,000
Street improvements	Mar 1, 2002	3.00-5.00%	675,000
Total			
Capital lease:			
Equipment purchase	May 28, 2002	6.35%	\$ 66,229
Revenue bonds:			
Water	May 23, 2005	3.00%	\$ 711,214
Sewer	Sep 9, 2005	3.00%	69,268
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
220,000	-	50,000	170,000	10,103	-
<u>505,000</u>	<u>-</u>	<u>65,000</u>	<u>440,000</u>	<u>23,150</u>	<u>-</u>
<u>\$ 725,000</u>	<u>-</u>	<u>115,000</u>	<u>610,000</u>	<u>33,253</u>	<u>-</u>
<u>\$ 38,653</u>	<u>-</u>	<u>8,789</u>	<u>29,864</u>	<u>2,458</u>	<u>-</u>
-	711,214	36,000	675,214	10,455	-
<u>-</u>	<u>69,268</u>	<u>13,000</u>	<u>56,268</u>	<u>1,002</u>	<u>-</u>
<u>\$ -</u>	<u>780,482</u>	<u>49,000</u>	<u>731,482</u>	<u>11,457</u>	<u>-</u>

Bond and Note Maturities

June 30, 2006

General Obligation Notes						
Year Ending <u>June 30,</u>	Water Well Number 4			Street Improvements		
	Issued March 1, 1999			Issued March 1, 2002		
	Interest		<u>Amount</u>	Interest		<u>Total</u>
<u>Rates</u>		<u>Rates</u>		<u>Amount</u>		
2007	4.55 %	\$ 55,000	4.20 %	\$ 65,000	\$ 120,000	
2008	4.60	55,000	4.40	70,000	125,000	
2009	4.70	60,000	4.60	70,000	130,000	
2010		-	4.80	75,000	75,000	
2011		-	4.90	80,000	80,000	
2012		-	5.00	80,000	80,000	
Total		<u>\$ 170,000</u>		<u>\$ 440,000</u>	<u>\$ 610,000</u>	

Revenue Bonds						
Year Ending <u>June 30,</u>	Water			Sewer		
	Issued May 23, 2005			Issued September 9, 2005		
	Interest		<u>Amount</u>	Interest		<u>Total</u>
<u>Rates</u>		<u>Rates</u>		<u>Amount</u>		
2007	3.00 %	\$ 14,000	3.00 %	\$ 37,000	\$ 51,000	
2008	3.00	14,000	3.00	38,000	52,000	
2009	3.00	15,000	3.00	40,000	55,000	
2010	3.00	13,268	3.00	41,000	54,268	
2011	3.00	-	3.00	42,000	42,000	
2012	3.00	-	3.00	43,000	43,000	
2013	3.00	-	3.00	44,000	44,000	
2014	3.00	-	3.00	46,000	46,000	
2015	3.00	-	3.00	47,000	47,000	
2016	3.00	-	3.00	49,000	49,000	
2017	3.00	-	3.00	50,000	50,000	
2018	3.00	-	3.00	52,000	52,000	
2019	3.00	-	3.00	53,000	53,000	
2020	3.00	-	3.00	55,000	55,000	
2021	3.00	-	3.00	38,214	38,214	
Total		<u>\$ 56,268</u>		<u>\$ 675,214</u>	<u>\$ 731,482</u>	

See accompanying independent auditor's report.

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

For the Last Four Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:				
Property tax	\$ 341,730	366,286	344,293	341,090
Tax increment financing collections	-	-	-	198
Other city tax	93,577	128,542	16,041	62,920
Licenses and permits	2,765	2,217	2,280	2,747
Use of money and property	67,629	61,223	57,717	60,408
Intergovernmental	885,985	222,930	309,472	247,411
Charges for service	247,509	251,257	240,686	229,522
Special assessments	12,856	6,663	9,985	12,416
Miscellaneous	<u>52,333</u>	<u>30,872</u>	<u>27,675</u>	<u>69,969</u>
 Total	 <u>\$ 1,704,384</u>	 <u>1,069,990</u>	 <u>1,008,149</u>	 <u>1,026,681</u>
Disbursements:				
Operating				
Public safety	\$ 316,591	217,117	213,452	246,116
Public works	308,145	378,289	311,777	297,050
Culture and recreation	175,591	169,850	180,416	224,880
Community and economic development	69	17	13	202
General government	76,955	80,362	71,999	99,956
Debt service	148,253	147,758	152,072	158,102
Capital projects	<u>734,794</u>	<u>10,780</u>	<u>29,287</u>	<u>35,442</u>
 Total	 <u>\$ 1,760,398</u>	 <u>1,004,173</u>	 <u>959,016</u>	 <u>1,061,748</u>

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	Agency Pass-Through <u>Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program			
	14.228	04-WS-051	\$ 44,990
		04-ED-013	<u>653,222</u>
			<u>698,212</u>
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Clean Water State Revolving Funds			
	66.458	---	413,791
Capitalization Grants for Drinking Water State Revolving Funds			
	66.468	---	<u>28,782</u>
Total			<u>\$ 1,140,785</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Laurens and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

To the Honorable Mayor and  
Members of the City Council:

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 Laurens, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents and have issued our report thereon dated June 6, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Laurens' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 Laurens' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 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 II-A-06 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurens' 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 that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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 interpretation of those statutes.

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 Laurens and other parties to whom the City of Laurens may report including federal awarding agencies and pass-through entities. 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 Laurens 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 6, 2007

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Laurens, Iowa with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. The City of Laurens' major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Laurens' management. Our responsibility is to express an opinion on the City of Laurens' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Laurens' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Laurens' compliance with those requirements.

In our opinion, the City of Laurens complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs' for the year ended June 30, 2006.

## Internal Control Over Compliance

The management of the City of Laurens is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Laurens' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Laurens' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance 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 III-B-06 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 Laurens and other parties to whom the City of Laurens may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 6, 2007

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which 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.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 – Community Development Block Grants/State's Program and 66.458 – State Revolving Loan Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Laurens did not qualify as a low-risk auditee.

City of Laurens, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-06 segregation 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. We noted that one employee handles almost all of the financial data.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response and Corrective Action Planned – We will continue our review.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

**CFDA Number 14.228: Community Development Block Grants/State's Program  
Pass-through Agency Number: 04-ED-013  
Federal Award Year: 2006  
Department of Housing and Urban Development  
Passed through the Iowa Department of Economic Development**

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**CFDA Number 66.458: State Revolving Loan Fund  
Federal Award Year: 2006  
Environmental Protection Agency  
Passed through the Iowa Department of Natural Resources**

- III-A-06 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-06.

**Part IV: Other Findings Related to Statutory Reporting:**

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The budget will be amended in the future in sufficient amounts, if applicable.

Conclusion – Response accepted.

- IV-B-06 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- IV-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-06 Business Transactions - No business transactions between the City and City officials or employees were noted.

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

IV-F-06 Council Minutes – Out of twenty-six transactions tested, we found one disbursement that was not approved in the council minutes.

Recommendation – The City should review its procedures to insure that all disbursements are approved in the minutes.

Response – This was an oversight this year.

Conclusion – Response accepted.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-06 Financial Condition - The Capital Projects Fund has several accounts in a deficit balance.

Recommendation - The City should review these deficits.

Response – See footnote number eight for the City’s plan to eliminate these deficits.

Conclusion - Response accepted.

IV-I-06 TIF Balance – There is a balance of \$20,877 in the TIF Account, Special Revenue Fund at June 30, 2006.

Recommendation – The City Clerk should investigate to see if there is an excess balance being accumulated.

Response – The TIF account balance is designated for water and sewer improvements east of “E” Street, which is designated TIF District.

Conclusion – Response accepted.

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-J-06 Revenue Bonds – The City’s wastewater treatment system did not maintain net revenues of 110% of the principal and interest due on the sewer revenue bond as stated in the loan agreements.

Recommendation – As this is the first year and not all the rate increases are in effect the City should monitor this situation.

Response – A rate increase is in effect for the City’s new industrial user starting in fiscal year 2007. This should take care of meeting the loan covenant.

Conclusion – Response accepted.