

NEWS RELEASE

For Release --

The audit report of Laurens Municipal Broadband Communications Utility for the year ended December 31, 2005 has been released. This report was issued by Hunzelman, Putzier & Co., PLC, C.P.A.'s and filed with David A. Vaudt, Auditor of State.

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

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
DECEMBER 31, 2005

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2005

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

LAURENS, IOWA

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LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Main	Trustee	April, 2007
Brad Olsen	Trustee	April, 2009
Robert O. Braesch	Trustee	April, 2011

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMAN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laurens Municipal Broadband Communications Utility
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Broadband Communications Utility, a component unit of City of Laurens, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Broadband Communications Utility as of December 31, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2006 on our consideration of Laurens Municipal Broadband Communications Utility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements, but is 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 required supplementary information. We did not audit the information and express no opinion on it.

Hunzelman, Putzier & Co.

April 21, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens Municipal Broadband Communications Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2005. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Utility's operating revenues increased 10%, or \$81,211, from 2004 to 2005.
- The Utility's operating expenses were .1%, or \$1,277, less in 2005 than in 2004.
- The Utility's net assets increased 6%, or \$34,226, from December 31, 2004 to December 31, 2005.

USING THIS ANNUAL REPORT

Laurens Municipal Broadband Communications Utility is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Broadband Communications Utility's basic financial statements. 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 Utility's financial activities.
- The Statements of Net Assets present information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows present the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE UTILITY

Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2005 totaled approximately \$631,000. This compares to approximately \$597,000 for 2004. A summary of the Utility's net assets is presented below.

	<u>Net Assets</u>	
	<u>2005</u>	<u>2004</u>
Current assets	\$386,225	\$363,241
Capital assets at cost, less accumulated depreciation	<u>452,264</u>	<u>411,865</u>
Total assets	<u>838,489</u>	<u>775,106</u>
Current liabilities	<u>207,302</u>	<u>178,145</u>
Total liabilities	<u>207,302</u>	<u>178,145</u>
Net assets:		
Invested in capital assets, net of related debt	452,264	411,865
Unrestricted	<u>178,923</u>	<u>185,096</u>
Total net assets	<u>\$631,187</u>	<u>\$596,961</u>

The largest portion of the Utility's net assets (72%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The remaining net assets (28%) are the unrestricted net assets that can be used to meet the Utility's obligations as they come due.

Statements of Revenues, Expenses, and Changes in Net Assets

Operating revenues are received for providing cable, internet, and telephone services to the residents of the City. Operating expenses are expenses paid to operate the Utility. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the years ended December 31, 2005 and 2004 is presented below:

	<u>Changes in Net Assets</u>	
	<u>2005</u>	<u>2004</u>
Operating revenues:		
Cable services	\$172,406	\$164,304
Telephone services	508,714	545,760
Internet services	121,566	113,929
Other operating revenue	<u>111,532</u>	<u>9,014</u>
Total operating revenue	<u>914,218</u>	<u>833,007</u>
Operating expenses:		
Cable and internet services	243,862	235,339
Telephone services	341,889	360,613
Depreciation and amortization	79,707	73,673
Customers' accounts expense	217	1,260
Administrative and general expense	183,405	186,892
Head end expenses - maintenance	3,218	4,236
Head end expenses - operations	<u>27,694</u>	<u>19,256</u>
Total operating expenses	<u>879,992</u>	<u>881,269</u>
Increase (decrease) in net assets	34,226	(48,262)
Net assets, beginning of year	<u>596,961</u>	<u>645,223</u>
Net assets, end of year	<u>\$631,187</u>	<u>\$596,961</u>

The Statements of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in the net assets from 2004 to 2005.

The Utility's operating revenue increased 10%, or \$81,211, from 2004 to 2005 due to the negotiated changes in our service agreement with Long Lines, the new leasing arrangement with Long Lines Wireless on our tower, and the new service of providing special circuits.

The Utility's operating expenses decreased .1%, or \$1,277, from 2004 to 2005 because of the changes in our service agreement with Long Lines.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, and capital and related financing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets.

CAPITAL ASSETS

At December 31, 2005, the Utility had approximately \$452,000 invested in capital assets, net of accumulated depreciation of approximately \$517,000. Depreciation charges totaled \$79,707 for 2005. More detailed information about the Utility's capital assets is presented in Note 3 to the financial statements and in Schedule 1 of the supplementary information.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Competition in the telecommunication industry continues to grow. Customers demand more services and being a small utility makes it tough to compete against the larger companies.
- The Utility has dark fiber available in three different directions. The Utility has fiber heading North to Spencer, Iowa, East towards Havelock, Iowa, and Southwest towards Alta, Iowa. This fiber will make it possible to bring special products and services to our customers and hopefully will provide a transmission route for other telecommunication carriers.
- The Utility is leasing tower space to Long Lines Wireless. Currently Long Lines Wireless is providing some services from our tower. This lease arrangement will generate revenue for the Utility and promote economic development in Laurens by improving the cellular reception.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2005 AND 2004

Exhibit A

ASSETS

	2005			2004
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>UTILITY PLANT</u>				
Utility plant in service	\$ 99,786	\$ 869,875	\$969,661	\$ 849,555
Less accumulated depreciation	<u>66,527</u>	<u>450,870</u>	<u>517,397</u>	<u>437,690</u>
Total net utility plant	<u>33,259</u>	<u>419,005</u>	<u>452,264</u>	<u>411,865</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	332,529	(299,591)	32,938	249,097
Accounts receivable (less provision for doubtful accounts of \$500 in 2005 and \$1,750 in 2004)	84,746	24,007	108,753	112,183
Due from electric utility	242,791	-	242,791	-
Prepaid expenses	<u>1,220</u>	<u>523</u>	<u>1,743</u>	<u>1,961</u>
Total current assets	<u>661,286</u>	<u>(275,061)</u>	<u>386,225</u>	<u>363,241</u>
 Total assets	 <u>\$694,545</u>	 <u>\$ 143,944</u>	 <u>\$838,489</u>	 <u>\$ 775,106</u>

LIABILITIES AND NET ASSETS

	2005			
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 33,259	\$ 419,005	\$452,264	\$ 411,865
Unrestricted	<u>550,291</u>	<u>(371,368)</u>	<u>178,923</u>	<u>185,096</u>
Total net assets	<u>583,550</u>	<u>47,637</u>	<u>631,187</u>	<u>596,961</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>				
Accounts payable	102,245	92,220	194,465	166,997
Other current and accrued liabilities	<u>8,750</u>	<u>4,087</u>	<u>12,837</u>	<u>11,148</u>
Total current and accrued liabilities	<u>110,995</u>	<u>96,307</u>	<u>207,302</u>	<u>178,145</u>
 Total liabilities and net assets	 <u>\$694,545</u>	 <u>\$ 143,944</u>	 <u>\$838,489</u>	 <u>\$ 775,106</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2005 AND 2004

Exhibit B

	<u>2005</u>			2004
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>OPERATING REVENUES</u>	<u>\$610,430</u>	<u>\$303,788</u>	<u>\$914,218</u>	<u>\$833,007</u>
<u>OPERATING EXPENSES</u>				
CATV and internet services	-	243,862	243,862	235,339
Telephone services	341,889	-	341,889	360,613
Depreciation and amortization	8,449	71,258	79,707	73,673
Customers' accounts expense	154	63	217	1,260
Administrative and general expense	119,953	63,452	183,405	186,892
Head end expenses - maintenance	1,106	2,112	3,218	4,236
Head end expenses - operations	8,558	19,136	27,694	19,256
Total operating expenses	<u>480,109</u>	<u>399,883</u>	<u>879,992</u>	<u>881,269</u>
Change in net assets	130,321	(96,095)	34,226	(48,262)
Net assets, beginning of year	<u>453,229</u>	<u>143,732</u>	<u>596,961</u>	<u>645,223</u>
Net assets, end of year	<u>\$583,550</u>	<u>\$ 47,637</u>	<u>\$631,187</u>	<u>\$596,961</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

Exhibit C

	2005			2004 Total
	Telephone	CATV & Internet	Total	
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from customers	\$ 609,989	\$ 300,084	\$ 910,073	\$ 997,499
Cash paid to suppliers and employees	<u>(447,144)</u>	<u>(316,191)</u>	<u>(763,335)</u>	<u>(870,134)</u>
Net cash provided by (used in) operating activities	<u>162,845</u>	<u>(16,107)</u>	<u>146,738</u>	<u>127,365</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Advances to electric utility	<u>(242,791)</u>	<u>-</u>	<u>(242,791)</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Additions to utility plant	<u>-</u>	<u>(120,106)</u>	<u>(120,106)</u>	<u>(10,786)</u>
Net cash used in investing activities	<u>-</u>	<u>(120,106)</u>	<u>(120,106)</u>	<u>(10,786)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
	(79,946)	(136,213)	(216,159)	116,579
Cash and cash equivalents at beginning of year	<u>412,475</u>	<u>(163,378)</u>	<u>249,097</u>	<u>132,518</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>				
	<u>\$ 332,529</u>	<u>\$(299,591)</u>	<u>\$ 32,938</u>	<u>\$ 249,097</u>
<u>RECONCILIATION OF NET LOSS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>				
Net income (loss)	\$ 130,321	\$ (96,095)	\$ 34,226	\$ (48,262)
Adjustments to reconcile net income (loss) to cash provided by operations:				
Depreciation and amortization	8,449	71,258	79,707	73,673
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	7,134	(3,704)	3,430	178,703
Decrease in prepaid expenses	153	65	218	242
Increase (decrease) in accounts payable	15,503	11,965	27,468	(64,048)
Increase (decrease) in other liabilities	<u>1,285</u>	<u>404</u>	<u>1,689</u>	<u>(12,943)</u>
Total adjustments	<u>32,524</u>	<u>79,988</u>	<u>112,512</u>	<u>175,627</u>
Net cash provided by (used in) operating activities	<u>\$ 162,845</u>	<u>\$(16,107)</u>	<u>\$ 146,738</u>	<u>\$ 127,365</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Broadband Communications Utility is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Broadband Communications Utility provides telephone, cable, and internet services to consumers in Laurens, Iowa. Sale of local telephone, cable, and internet services are billed on the twentieth of each month for service from the first to the end of the month billed. Sales of long distance telephone service are billed on the twentieth of each month for usage through the fifteenth of the month. An unbilled receivable in the amount of \$3,362 has been recorded for the period December 15 through December 31. Laurens Municipal Broadband Communications Utility is billed by their telephone, cable, and internet providers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Broadband Communications Utility has included all funds, organizations, agencies, boards, commissions, and authorities. The Utility 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 Utility are such that exclusion would cause the Utility'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 Utility 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 Utility. Laurens Municipal Broadband Communications Utility has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Broadband Communications Utility are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2005.

Budgets and Budgetary Accounting - The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a comparison of revenues, expenses, and changes in net assets - actual to budget:

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues:			
Use of money and property	\$ 4,560	\$ 13,500	\$ (8,940)
Charges for services	909,658	828,000	81,658
Miscellaneous	-	8,500	(8,500)
	<u>914,218</u>	<u>850,000</u>	<u>64,218</u>
Expenses	<u>879,992</u>	<u>800,000</u>	<u>(79,992)</u>
Net	34,226	50,000	(15,774)
Net assets, beginning of year	<u>596,961</u>	<u>586,223</u>	<u>10,738</u>
Net assets, end of year	<u>\$631,187</u>	<u>\$636,223</u>	<u>\$ (5,036)</u>

2. DEPOSITS

The Utility's deposits in banks at December 31, 2005 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 Utility 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 Board of Trustees; 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.

Interest rate risk - The Utility investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utility.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 40.

3. PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2005 and 2004:

	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>2004 Total</u>
Distribution plant	\$59,681	\$836,476	\$896,157	\$776,051
Other equipment	<u>40,105</u>	<u>33,399</u>	<u>73,504</u>	<u>73,504</u>
Total plant	<u>\$99,786</u>	<u>\$869,875</u>	<u>\$969,661</u>	<u>\$849,555</u>

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

4. CASH AND CASH EQUIVALENTS

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>2004 Total</u>
Demand deposits	<u>\$332,529</u>	<u>\$(299,591)</u>	<u>\$ 32,938</u>	<u>\$249,097</u>

These funds bear interest at 2.00%.

5. PENSION AND RETIREMENT BENEFITS

The Utility 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 covered salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2005, 2004, and 2003, were \$5,237, \$4,833, and \$4,828 equal to the required contributions for each year.

6. RISK MANAGEMENT

Laurens Municipal Broadband Communications Utility 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 Utility 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. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

8. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Broadband Communications Utility and the Laurens Municipal Light and Power Plant have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$145,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and payments are due June 1 of each year.

HUNZELMAN, PUTZIER & Co., PLC
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Board of Trustees
Laurens Municipal Broadband Communications Utility
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Hunzelman, Putzier + Co.

April 21, 2006

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>			2004
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>OPERATING REVENUES</u>				
Sale of cable services:				
Basic cable	\$ -	\$159,122	\$159,122	\$ 143,688
Premium channels	-	13,284	13,284	20,616
Sale of telephone services:				
Local	219,761	-	219,761	206,272
Long distance	50,006	-	50,006	49,302
Access fees	238,947	-	238,947	290,186
Internet	-	121,566	121,566	113,929
Transport fee credits	90,900	-	90,900	-
Other	3,262	4,560	7,822	2,547
USAC - High cost	7,317	-	7,317	-
Penalties	-	-	-	102
Converters	-	258	258	427
Miscellaneous	237	4,998	5,235	5,938
Total operating revenue	<u>610,430</u>	<u>303,788</u>	<u>914,218</u>	<u>833,007</u>
<u>OPERATING EXPENSES</u>				
Cost of service:				
Basic CATV programming	-	107,613	107,613	99,389
Premium channel programming	-	11,976	11,976	13,733
Internet fees	-	39,773	39,773	39,895
Transport fees	26,500	4,500	31,000	45,216
Switching fees	74,797	-	74,797	78,415
Long distance fees	65,410	-	65,410	39,785
Access fees	87,626	-	87,626	118,928
Billing fees	20,401	-	20,401	22,164
Illuminet fees	2,038	-	2,038	3,880
Directory listing fees	117	-	117	4,547
Joint use fees	65,000	80,000	145,000	130,000
Total cost of service	<u>341,889</u>	<u>243,862</u>	<u>585,751</u>	<u>595,952</u>
Head end system:				
Wages and benefits	5,255	8,352	13,607	9,883
Operating expenses and supplies	3,303	10,784	14,087	9,373
Maintenance and repairs	803	1,064	1,867	3,702
Buildings and grounds	303	1,048	1,351	534
Depreciation	5,968	68,420	74,388	68,981
Total head end system	<u>15,632</u>	<u>89,668</u>	<u>105,300</u>	<u>92,473</u>
Customers' accounts expense:				
Bad debt expense	154	63	217	1,260
Administrative and general expense:				
Administrative and general salaries	63,309	29,537	92,846	91,234
Office supplies and postage	8,438	3,543	11,981	17,122
Audits, legal, and consultation services	5,579	3,109	8,688	12,533
Property insurance	3,139	1,514	4,653	4,598

(Continued)

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>			<u>2004</u>
	<u>Telephone</u>	<u>CATV & Internet</u>	<u>Total</u>	<u>Total</u>
<u>OPERATING EXPENSES - (Continued)</u>				
Administrative and general expense: (Continued)				
Compensation insurance	\$ 1,403	\$ 494	\$ 1,897	\$ 1,740
Employees' group insurance	17,258	7,471	24,729	29,462
Trustees' fees	630	270	900	900
Dues and subscriptions	2,242	1,050	3,292	3,495
Franchise requirement - cost of services to City of Laurens	-	11,403	11,403	3,642
Legal publications	593	255	848	1,264
Advertising and promotion	1,590	679	2,269	2,846
Convention, meeting, and travel expense	487	135	622	2,077
Depreciation	2,481	2,838	5,319	4,692
Motor vehicle and work equipment expense	2,525	1,119	3,644	2,877
E911 fees	9,289	-	9,289	9,392
Miscellaneous	<u>3,471</u>	<u>2,873</u>	<u>6,344</u>	<u>3,710</u>
Total administrative and general expense	<u>122,434</u>	<u>66,290</u>	<u>188,724</u>	<u>191,584</u>
Total operating expense	<u>480,109</u>	<u>399,883</u>	<u>879,992</u>	<u>881,269</u>
 Net Income (loss)	 <u>\$ 130,321</u>	 <u>\$ (96,095)</u>	 <u>\$ 34,226</u>	 <u>\$ (48,262)</u>

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
 SCHEDULE OF COMMUNICATIONS PLANT
 DECEMBER 31, 2005

Schedule 1

	Utility Plant				Balance December 31, 2005	Depreciation Rate	Accumulated Depreciation				Balance December 31, 2005
	Balance January 1, 2005	Additions	Transfers	Deletions			Balance January 1, 2005	Expense	Transfers	Retirements	
TELEPHONE PLANT											
<u>Distribution System</u>											
Head end equipment	\$ 59,681	\$ -	\$ -	\$ -	\$ 59,681	10.00%	\$ 33,266	\$ 5,968	\$ -	\$ -	\$ 39,234
<u>Other Equipment</u>											
Office furniture and fixtures	14,854	-	-	-	14,854	6.70-20.00	6,310	1,171	-	-	7,481
Transportation equipment	12,759	-	-	-	12,759	20.00	12,759	-	-	-	12,759
Laboratory equipment	11,944	-	-	-	11,944	10.00	5,378	1,255	-	-	6,633
Communication equipment	548	-	-	-	548	10.00	365	55	-	-	420
	<u>40,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,105</u>		<u>24,812</u>	<u>2,481</u>	<u>-</u>	<u>-</u>	<u>27,293</u>
Total telephone plant in service	<u>99,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,786</u>		<u>58,078</u>	<u>8,449</u>	<u>-</u>	<u>-</u>	<u>66,527</u>
CATV AND INTERNET PLANT											
<u>Distribution System</u>											
Land	8,280	-	-	-	8,280	0.00	-	-	-	-	-
Towers and antennas	142,058	-	-	-	142,058	5.00	42,618	7,103	-	-	49,721
Buildings	7,105	-	-	-	7,105	5.00	2,117	355	-	-	2,472
Tower site equipment	18,545	-	-	-	18,545	10.00	10,927	1,855	-	-	12,782
Head end equipment	478,427	120,106	-	-	598,533	10.00	263,013	53,848	-	-	316,861
Satellite dishes	52,589	-	-	-	52,589	10.00	31,554	5,259	-	-	36,813
Traps and filters	9,366	-	-	-	9,366	20.00	9,366	-	-	-	9,366
	<u>716,370</u>	<u>120,106</u>	<u>-</u>	<u>-</u>	<u>836,476</u>		<u>359,595</u>	<u>68,420</u>	<u>-</u>	<u>-</u>	<u>428,015</u>
<u>Other Equipment</u>											
Office furniture and fixtures	11,288	-	-	-	11,288	6.70-20.00	5,629	1,417	-	-	7,046
Transportation equipment	8,506	-	-	-	8,506	20.00	8,506	-	-	-	8,506
Lab equipment	13,239	-	-	-	13,239	10.00	5,638	1,385	-	-	7,023
Communication equipment	366	-	-	-	366	10.00	244	36	-	-	280
	<u>33,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,399</u>		<u>20,017</u>	<u>2,838</u>	<u>-</u>	<u>-</u>	<u>22,855</u>
Total CATV and internet plant in service	<u>749,769</u>	<u>120,106</u>	<u>-</u>	<u>-</u>	<u>869,875</u>		<u>379,612</u>	<u>71,258</u>	<u>-</u>	<u>-</u>	<u>450,870</u>
Total Plant in Service	849,555	120,106	-	-	969,661		437,690	79,707	-	-	517,397
Construction Work in Process	-	-	-	-	-		-	-	-	-	-
Total Utility Plant	<u>\$849,555</u>	<u>\$120,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$969,661</u>		<u>\$437,690</u>	<u>\$ 79,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$517,397</u>

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMMENTS ON STATEMENT OF NET ASSETS
DECEMBER 31, 2005

<u>UTILITY PLANT</u>	Cost	\$969,661	
	Accumulated Depreciation	<u>517,397</u>	<u>\$452,264</u>

Details of the utility plant are shown in the preceding schedule.

<u>CASH AND CASH EQUIVALENTS</u>	<u>\$ 32,938</u>
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This balance consists of the following:

	Interest Rate	Amount
Demand deposit NOW account:		
Laurens State Bank - money market account	2.00%	<u>\$ 32,938</u>

<u>ACCOUNTS RECEIVABLE</u>	<u>\$108,753</u>
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This balance consists of the following:

Accounts receivable - cable, internet, and telephone sales:		
November 15, 2005 - December 15, 2005 and past due		\$ 48,030
December 16, 2005 - December 31, 2005		3,362
Accounts Receivable Access Fees:		
October 19, 2005 - November 19, 2005 and past due		27,635
November 20, 2005 - December 31, 2005		30,226
Less: Allowance for doubtful accounts		<u>(500)</u>
		<u>\$108,753</u>

<u>DUE FROM ELECTRIC UTILITY</u>	<u>\$242,791</u>
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This balance consists of funds loaned to the electric utility

<u>PREPAID EXPENSES</u>	<u>\$ 1,743</u>
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This balance consists of the following:

Prepaid insurance	<u>\$ 1,743</u>
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<u>NET ASSETS</u>	<u>\$631,187</u>
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Following is a summary of the changes in this account during 2005:

Balance, January 1, 2005	\$596,961
Change in net assets	<u>34,226</u>
Balance, December 31, 2005	<u>\$631,187</u>

ACCOUNTS PAYABLE

\$194,465

This balance consists of the following:

National Cable Television Cooperative - December programming	\$ 7,549
Pocahontas E911 - 4 th quarter E911 fees	2,394
Long Lines - Telephone fees	15,585
Long Lines - Carrier access billing fees	19,160
Laurens Municipal Broadband Communications Utility - Joint use fees	145,000
City of Laurens - Franchise fees	4,476
Various, each less than \$1,000	<u>301</u>
	<u>\$194,465</u>

OTHER CURRENT AND ACCRUED LIABILITIES

\$ 12,837

This balance consists of the following items:

Accrued vacation, payroll and benefits	\$ 8,601
Accrued sales, use, and excise tax	<u>4,236</u>
	<u>\$12,837</u>

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

Board of Trustees
Laurens Municipal Broadband Communications Utility
Laurens, Iowa

We have audited the financial statements of Laurens Municipal Broadband Communications Utility, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Laurens Municipal Broadband Communications Utility'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 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 Laurens Municipal Broadband Communications Utility'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 Part I of 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 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 I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens Municipal Broadband Communications Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Broadband Communications Utility 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 Utility 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.

Hungelman, Putzier & Co.

April 21, 2006

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

I-A-05 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 bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

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

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. The duties of opening mail, bank deposits, recording receipts and disbursements, bank reconciliations, and payroll preparation will be monitored daily by the General Manager. We require two signatures on all check disbursements.

Conclusion - Response accepted.

I-B-05 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the Utility'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 Utility's computer based systems were noted:

The Utility does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- ensuring that only software licensed to the Utility is installed on computers,
- requiring user profiles to help limit access to programs to those who have a legitimate need,

Also, the Utility does not have a written disaster recovery plan.

Recommendation - The Utility should develop written policies addressing the above items in order to improve the Utility's control over computer based systems and a written disaster recovery plan should be developed.

LAURENS MUNICIPAL BROADBAND COMMUNICATIONS UTILITY

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2005

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-B-05 Electronic Data Processing Systems - (Continued)

Response - The Utility is working to find another utility or community that has this policy in place so we have something to work from. The Utility will then work to develop the necessary written policies addressing disaster recovery, password privacy, confidentiality, and personal use of computer equipment and software.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2005.

II-B-05 Budget - Utility expenditures during the year ended December 31, 2005 exceeded the amounts budgeted. 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 budget.

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 Board of Trustees along with the General Manager will review the budget and financial reports, in detail, every month.

Conclusion - Response accepted.

II-C-05 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.

II-E-05 Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.

II-F-05 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.

II-H-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.