

**CITY OF LAURENS, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

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**City of Laurens, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Jillian Kreig	City Clerk	Jan 2008
Ann Beneke	Attorney	Jan 2008

## 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, 2007, 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, 2007 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, 2007, 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 March 12, 2008 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 21 through 23 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, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 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

March 12, 2008

CITY OF LAURENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007

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, 2007. 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 decreased 28%, or \$577,881, from 2006 to 2007
- The City's operating expenses decreased 33.8%, or \$1,047,479 from 2006 to 2007
- These expenses decreased mainly due to capital projects
- Two Capital Projects were continued during this fiscal year.
  1. The City has received a Rise grant to pave a street going into Jack Links as part of the economic package. Expenditures for the 2006/2007 fiscal year were \$447,000. SRF loan will also pay for the expenditures.
  2. The city received a CDBG loan to dig a well as the city is operating on one well. Expenditures for the 2006/2007 fiscal year were \$168,000.

## **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.

## **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 statements for governmental funds include 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.

## **FUND FINANCIAL ANALYSIS**

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Receipts:</u>			
Property tax	335,650	341,730	366,286
Tax Increment Financing	---	---	---
Other city tax	120,488	93,577	128,542
Licenses and permits	1,835	2,765	2,217
Use of money and property	52,651	67,629	61,223
Intergovernmental	292,406	885,985	222,930
Charges for service	218,658	247,509	251,257
Special assessments	8,606	12,856	6,663
Miscellaneous	102,338	52,333	30,872
Total	1,132,632	1,704,384	1,069,990
<u>Disbursements:</u>			
Operating			
Public safety	345,969	316,591	217,117
Public works	283,991	308,145	378,289
Culture and recreation	263,507	175,591	169,850
Community & Econ Dev	6	69	17
General government	126,133	76,955	80,362
Debt service	148,403	148,253	147,758
Capital projects	417,102	734,794	10,780
Total	1,585,111	1,760,398	1,004,173
Sale of assets	42,500	---	---

Transfers in (out)	---	12,000	12,000
Increase (decrease)	(409,979)	(44,014)	77,817
Cash balance – beginning			
of year	1,077,284	1,121,298	1,043,481
Cash balance – end of year	667,305	1,077,284	1,121,298

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:			
Operating receipts	356,159	362,288	323,214
Operating disbursements	389,267	1,274,733	395,452
Operating income	(33,108)	(912,445)	(72,238)
Other financing sources	103,891	912,192	8,856
Debt service	(76,142)	(62,868)	---
Transfers in (out)	---	(12,000)	(12,000)
Increase (decrease)	(5,359)	(75,121)	(75,382)
Cash balance – beginning of year	416,900	492,021	567,403
Cash balance – end of year	411,542	416,900	492,021

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

- The General Fund decreased approximately \$165,000 from 2006 to \$420,000 due to improvements for the police department and library.
- The Capital Project – RISE Fund decreased approximately \$373,000 from 2006. The cash balance will increase when grants and SRF funds are received.

## **INDIVIDUAL MAJOR PROPRIETARY FUND ANALYSIS**

- The Water Fund cash balance decreased approximately \$26,000 from 2006 to \$357,000.
- The Sewer Fund cash balance increased approximately \$22,000 from 2006 to \$48,000.

## **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

	<u>2007</u>	June 30, <u>2006</u>	<u>2005</u>
General obligation bonds	\$ 490,000	610,000	725,000
Revenue Bonds	680,482	731,482	---

## **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 L. 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, 2007

	<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	\$ 345,969	37,932	29,436	-
Public works	283,991	160,738	123,017	-
Culture and recreation	263,507	26,664	16,839	-
Community and economic development	6	-	-	-
General government	126,133	3,416	-	-
Debt service	148,403	-	-	-
Capital projects	417,102	-	-	-
Total governmental activities	<u>1,585,111</u>	<u>228,750</u>	<u>169,292</u>	<u>-</u>
Business type activities:				
Water	261,043	230,515	-	3,891
Sewer	203,966	125,644	-	100,000
Other nonmajor	400	-	-	-
Total business type activities	<u>465,409</u>	<u>356,159</u>	<u>-</u>	<u>103,891</u>
Total	<u>\$ 2,050,520</u>	<u>584,909</u>	<u>169,292</u>	<u>103,891</u>

**General Receipts:**

Property tax levied for:  
    General purposes  
    Debt service  
Local option sales tax  
Unrestricted interest on investments  
Miscellaneous  
Sale of assets  
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

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(278,601)	-	(278,601)
(236)	-	(236)
(220,004)	-	(220,004)
(6)	-	(6)
(122,717)	-	(122,717)
(148,403)	-	(148,403)
(417,102)	-	(417,102)
<u>(1,187,069)</u>	<u>-</u>	<u>(1,187,069)</u>
-	(26,637)	(26,637)
-	21,678	21,678
-	(400)	(400)
-	(5,359)	(5,359)
<u>(1,187,069)</u>	<u>(5,359)</u>	<u>(1,192,428)</u>
248,245	-	248,245
109,048	-	109,048
98,845	-	98,845
130,634	-	130,634
147,818	-	147,818
42,500	-	42,500
<u>777,090</u>	<u>-</u>	<u>777,090</u>
(409,979)	(5,359)	(415,338)
<u>1,077,284</u>	<u>416,900</u>	<u>1,494,184</u>
<u>\$ 667,305</u>	<u>411,542</u>	<u>1,078,847</u>
(8,458)	-	(8,458)
386,943	244,125	631,068
288,820	167,417	456,237
<u>\$ 667,305</u>	<u>411,542</u>	<u>1,078,847</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, 2007

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u>	<u>Capital</u> <u>Project -</u> <u>RISE Project</u>
Receipts:			
Property tax	\$ 196,879	-	-
Other city tax	17,548	-	-
Licenses and permits	1,835	-	-
Use of money and property	52,651	-	-
Intergovernmental	124,258	123,017	42,458
Charges for service	218,658	-	-
Special assessments	-	-	-
Miscellaneous	37,686	-	-
Total receipts	649,515	123,017	42,458
Disbursements:			
Operating:			
Public safety	327,988	-	-
Public works	194,836	84,233	-
Culture and recreation	214,595	-	-
Community and economic development	6	-	-
General government	120,466	-	-
Debt service	-	-	-
Capital projects	-	-	415,505
Total disbursements	857,891	84,233	415,505
Excess (deficiency) of receipts over (under) disbursements	(208,376)	38,784	(373,047)
Other financing sources (uses):			
Sale of assets	42,500	-	-
Total other financing sources (uses)	42,500	-	-
Net change in cash balances	(165,876)	38,784	(373,047)
Cash balances beginning of year	586,158	69,404	(90,626)
Cash balances end of year	\$ 420,282	108,188	(463,673)
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	420,282	-	-
Special revenue funds	-	108,188	-
Capital projects funds	-	-	(463,673)
Permanent funds	-	-	-
Total cash basis fund balances	\$ 420,282	108,188	(463,673)

See notes to financial statements.

Exhibit B

Other Nonmajor Governmental Funds	Total
138,771	335,650
102,940	120,488
-	1,835
-	52,651
2,673	292,406
-	218,658
8,606	8,606
<u>64,652</u>	<u>102,338</u>
<u>317,642</u>	<u>1,132,632</u>
17,981	345,969
4,922	283,991
48,912	263,507
-	6
5,667	126,133
148,403	148,403
<u>1,597</u>	<u>417,102</u>
<u>227,482</u>	<u>1,585,111</u>
<u>90,160</u>	<u>(452,479)</u>
<u>-</u>	<u>42,500</u>
<u>-</u>	<u>42,500</u>
90,160	(409,979)
<u>512,348</u>	<u>1,077,284</u>
<u>602,508</u>	<u>667,305</u>
(8,458)	(8,458)
-	420,282
278,755	386,943
266,923	(196,750)
<u>65,288</u>	<u>65,288</u>
<u>602,508</u>	<u>667,305</u>

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

As of and for the year ended June 30, 2007

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Meter Deposit</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 230,515	125,644	-	356,159
Miscellaneous	-	-	-	-
Total operating receipts	<u>230,515</u>	<u>125,644</u>	<u>-</u>	<u>356,159</u>
Operating disbursements:				
Business type activities	<u>244,497</u>	<u>144,370</u>	<u>400</u>	<u>389,267</u>
Total operating disbursements	<u>244,497</u>	<u>144,370</u>	<u>400</u>	<u>389,267</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(13,982)</u>	<u>(18,726)</u>	<u>(400)</u>	<u>(33,108)</u>
Other financing sources (uses):				
Intergovernmental	3,891	100,000	-	103,891
Debt Service	<u>(16,546)</u>	<u>(59,596)</u>	-	<u>(76,142)</u>
Total other financing sources (uses)	<u>(12,655)</u>	<u>40,404</u>	<u>-</u>	<u>27,749</u>
Net change in cash balances	(26,637)	21,678	(400)	(5,359)
Cash balances beginning of year	<u>384,056</u>	<u>26,202</u>	<u>6,642</u>	<u>416,900</u>
Cash balances end of year	<u>\$ 357,420</u>	<u>47,880</u>	<u>6,242</u>	<u>411,542</u>
<b>Cash Basis Fund Balances</b>				
Reserved for improvements	\$ 233,976	10,149	-	244,125
Unreserved	<u>123,444</u>	<u>37,731</u>	<u>6,242</u>	<u>167,417</u>
Total cash basis fund balances	<u>\$ 357,420</u>	<u>47,880</u>	<u>6,242</u>	<u>411,542</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2007

**(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, 2007

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, 2007

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

Capital Projects:

The RISE Project Fund is used to account for the costs related to a street improvement project.

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, 2007

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, and business type activities functions.

(2) **Cash**

The City's deposits in banks at June 30, 2007 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, 2007. During the year ended June 30, 2007, the City invested its excess funds in a savings account and certificates of deposit.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2007

**(3) Bonds and 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>
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	---	---	38,214	1,146	38,214	1,146
	<u>\$ 490,000</u>	<u>64,170</u>	<u>680,482</u>	<u>152,058</u>	<u>1,098,482</u>	<u>216,228</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, 2007

**(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, 2007, 2006 and 2005 were \$24,164, \$21,437, and \$20,901, 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 had no liability for earned vacation payable to employees at June 30, 2007.

**(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) Litigation**

The City has threatened litigation against a contractor concerning well construction. The outcome and any potential loss or recovery by the City is unknown at this time.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2007

**(8) Deficit Fund Balance**

The Debt Service Fund had a deficit balance of \$8,458 at June 30, 2007. This deficit balance is a result of not transferring receipts budgeted from other funds. This deficit will be eliminated upon transfer of local option tax dollars.

The Capital Projects Fund, RISE Project had a deficit balance of \$463,673 at June 30, 2007. This deficit balance is a result of project costs being incurred prior to receipt of funds. This deficit will be eliminated upon receipt of grant funds and proceeds.

The Capital Projects Fund, Links account had a deficit balance of \$650 at June 30, 2007. This is a result of project costs exceeding receipts. This deficit will be eliminated upon transfer of funds.

**(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, 2007 were \$11,247. Payments are due as follows:

Year Ending <u>June 30,</u>	<u>Lease Purchase Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 9,942	1,305
2009	<u>10,574</u>	<u>672</u>
Total	20,516	1,977
	=====	=====

**(10) Construction Commitments**

The City of Laurens has committed to several projects as of June 30, 2007. 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, 2007 approximately \$168,000 has been expended for this project.

The Rise project will be approximately \$678,000 and will be paid from a Rise grant and state revolving loan funds. As of June 30, 2007 approximately \$447,000 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, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 335,650	-
Other city tax	120,488	-
Licenses and permits	1,835	-
Use of money and property	52,651	-
Intergovernmental	292,406	103,891
Charges for service	218,658	356,159
Special assessments	8,606	-
Miscellaneous	102,338	-
Total receipts	<u>1,132,632</u>	<u>460,050</u>
Disbursements:		
Public safety	345,969	-
Public works	283,991	-
Culture and recreation	263,507	-
Community and economic development	6	-
General government	126,133	-
Debt service	148,403	-
Capital projects	417,102	-
Business type activities	-	465,409
Total disbursements	<u>1,585,111</u>	<u>465,409</u>
Excess (deficiency) of receipts over (under) disbursements	(452,479)	(5,359)
Other financing sources, net	<u>42,500</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(409,979)	(5,359)
Balances beginning of year	<u>1,077,284</u>	<u>416,900</u>
Balances end of year	<u>\$ 667,305</u>	<u>411,542</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>	
335,650	330,820	330,820	4,830
120,488	136,408	136,408	(15,920)
1,835	2,385	2,385	(550)
52,651	53,885	53,885	(1,234)
396,297	239,339	239,339	156,958
574,817	693,050	693,050	(118,233)
8,606	10,000	15,000	(6,394)
<u>102,338</u>	<u>23,900</u>	<u>23,900</u>	<u>78,438</u>
<u>1,592,682</u>	<u>1,489,787</u>	<u>1,494,787</u>	<u>97,895</u>
345,969	267,908	372,908	26,939
283,991	283,387	283,387	(604)
263,507	185,199	225,199	(38,308)
6	50	50	44
126,133	86,690	86,690	(39,443)
148,403	148,403	148,403	-
417,102	2,900	452,900	35,798
<u>465,409</u>	<u>455,124</u>	<u>455,124</u>	<u>(10,285)</u>
<u>2,050,520</u>	<u>1,429,661</u>	<u>2,024,661</u>	<u>(25,859)</u>
(457,838)	60,126	(529,874)	72,037
<u>42,500</u>	<u>-</u>	<u>360,000</u>	<u>(317,500)</u>
(415,338)	60,126	(169,874)	(245,464)
<u>1,494,184</u>	<u>1,528,251</u>	<u>1,528,251</u>	<u>(34,067)</u>
<u><u>1,078,847</u></u>	<u><u>1,588,377</u></u>	<u><u>1,358,377</u></u>	<u><u>(279,531)</u></u>

City of Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 increased budgeted receipts by \$5,000 and budgeted disbursements by \$595,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, and business type activities functions.

## **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, 2007

	Special Revenue			
	Police Special	Employee Benefits	Housing Incentive	TIF
Receipts:				
Property tax	\$ -	32,849	-	-
Other city tax	-	969	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	389	-	-	-
Total receipts	389	33,818	-	-
Disbursements:				
Operating:				
Public safety	-	17,981	-	-
Public works	-	4,922	-	-
Culture and recreation	-	9,935	-	-
General government	-	5,667	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	-	38,505	-	-
Excess (deficiency) of receipts over (under) disbursements	389	(4,687)	-	-
Net change in cash balances	389	(4,687)	-	-
Cash balances beginning of year	1,290	19,280	3,905	20,877
Cash balances end of year	\$ 1,679	14,593	3,905	20,877
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt Service	-	-	-	-
Unreserved:				
Special revenue funds	\$ 1,679	14,593	3,905	20,877
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 1,679	14,593	3,905	20,877

See accompanying independent auditor's report.

Schedule 1

Special Revenue					
<u>Unemployment</u>	<u>Local Option Sales Tax</u>	<u>Cemetery Road Paving</u>	<u>Sister City</u>	<u>Ragbrai</u>	<u>Quasquicentennial</u>
-	-	-	-	-	-
-	98,845	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	22,185	2,589	2,212	36,757
-	98,845	22,185	2,589	2,212	36,757
-	-	-	-	-	-
-	-	-	-	-	-
-	-	15,000	-	-	23,977
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	15,000	-	-	23,977
-	98,845	7,185	2,589	2,212	12,780
-	98,845	7,185	2,589	2,212	12,780
6,135	107,955	-	-	-	-
6,135	206,800	7,185	2,589	2,212	12,780
-	-	-	-	-	-
6,135	206,800	7,185	2,589	2,212	12,780
-	-	-	-	-	-
-	-	-	-	-	-
6,135	206,800	7,185	2,589	2,212	12,780

(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, 2007

		<u>Capital</u>	
	<u>Debt Service</u>	<u>Downtown Project</u>	<u>Capital Equipment</u>
Receipts:			
Property tax	\$ 105,922	-	-
Other city tax	3,126	-	-
Intergovernmental	-	-	-
Special Assessments	8,606	-	-
Miscellaneous	-	-	-
Total receipts	<u>117,654</u>	<u>-</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Debt Service	148,403	-	-
Capital projects	-	-	-
Total disbursements	<u>148,403</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(30,749)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(30,749)	-	-
Cash balances beginning of year	<u>22,291</u>	<u>11,325</u>	<u>256,248</u>
Cash balances end of year	<u>\$ (8,458)</u>	<u>11,325</u>	<u>256,248</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt Service	\$ (8,458)	-	-
Unreserved:			
Special revenue funds	-	-	-
Capital project funds	-	11,325	256,248
Permanent funds	-	-	-
Total cash basis fund balances	<u>(8,458)</u>	<u>11,325</u>	<u>256,248</u>

See accompanying independent auditor's report.

Schedule 1

Projects	Permanent		Total
	Cemetery Perpetual Care	Library Trust	
-	-	-	138,771
-	-	-	102,940
2,673	-	-	2,673
-	-	-	8,606
-	520	-	64,652
<u>2,673</u>	<u>520</u>	<u>-</u>	<u>317,642</u>
-	-	-	17,981
-	-	-	4,922
-	-	-	48,912
-	-	-	5,667
-	-	-	148,403
1,597	-	-	1,597
<u>1,597</u>	<u>-</u>	<u>-</u>	<u>227,482</u>
<u>1,076</u>	<u>520</u>	<u>-</u>	<u>90,160</u>
1,076	520	-	90,160
(1,726)	56,903	7,865	512,348
<u>(650)</u>	<u>57,423</u>	<u>7,865</u>	<u>602,508</u>
-	-	-	(8,458)
-	-	-	278,755
(650)	-	-	266,923
-	57,423	7,865	65,288
<u>(650)</u>	<u>57,423</u>	<u>7,865</u>	<u>602,508</u>

City of Laurens, Iowa  
Schedule of Indebtedness  
Year ended June 30, 2007

<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>
170,000	-	55,000	115,000	7,853	-
<u>440,000</u>	<u>-</u>	<u>65,000</u>	<u>375,000</u>	<u>20,550</u>	<u>-</u>
<u>\$ 610,000</u>	<u>-</u>	<u>120,000</u>	<u>490,000</u>	<u>28,403</u>	<u>-</u>
<u>\$ 29,864</u>	<u>-</u>	<u>9,348</u>	<u>20,516</u>	<u>1,899</u>	<u>-</u>
675,214	-	37,000	638,214	20,256	-
<u>56,268</u>	<u>-</u>	<u>14,000</u>	<u>42,268</u>	<u>1,689</u>	<u>-</u>
<u>\$ 731,482</u>	<u>-</u>	<u>51,000</u>	<u>680,482</u>	<u>21,945</u>	<u>-</u>

Bond and Note Maturities

June 30, 2007

General Obligation Notes					
Year Ending June 30,	Water Well Number 4		Street Improvements		Total
	Issued March 1, 1999		Issued March 1, 2002		
	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 115,000</u>		<u>\$ 375,000</u>	<u>\$ 490,000</u>

Revenue Bonds					
Year Ending June 30,	Water		Sewer		Total
	Issued May 23, 2005		Issued September 9, 2005		
	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 42,268</u>		<u>\$ 638,214</u>	<u>\$ 680,482</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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 335,650	\$ 341,730	366,286	344,293
Other city tax	120,488	93,577	128,542	16,041
Licenses and permits	1,835	2,765	2,217	2,280
Use of money and property	52,651	67,629	61,223	57,717
Intergovernmental	292,406	885,985	222,930	309,472
Charges for service	218,658	247,509	251,257	240,686
Special assessments	8,606	12,856	6,663	9,985
Miscellaneous	<u>102,338</u>	<u>52,333</u>	<u>30,872</u>	<u>27,675</u>
 Total	 <u>\$ 1,132,632</u>	 <u>\$ 1,704,384</u>	 <u>1,069,990</u>	 <u>1,008,149</u>
Disbursements:				
Operating				
Public safety	\$ 345,969	\$ 316,591	217,117	213,452
Public works	283,991	308,145	378,289	311,777
Culture and recreation	263,507	175,591	169,850	180,416
Community and economic development	6	69	17	13
General government	126,133	76,955	80,362	71,999
Debt service	148,403	148,253	147,758	152,072
Capital projects	<u>417,102</u>	<u>734,794</u>	<u>10,780</u>	<u>29,287</u>
 Total	 <u>\$ 1,585,111</u>	 <u>\$ 1,760,398</u>	 <u>1,004,173</u>	 <u>959,016</u>

See accompanying independent auditor's report.

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

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, 2007, 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 March 12, 2008. Our report expressed unqualified opinions 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Laurens' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Laurens' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Laurens' ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Laurens' financial statements that is more than inconsequential will not be prevented or detected by the City of Laurens' internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Laurens' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

#### 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Laurens' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Laurens' responses and, accordingly, we express no opinion on them.

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

March 12, 2008

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-07 segregation Segregation of Duties – One important aspect of internal control is the 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.

I-B-07 Debit Card Invoices - During the course of our audit we noted that there were several invoices missing for debit card purchases.

Recommendation - The City should review their procedures to insure all back up invoices are kept on hand.

Response - We will make sure we keep all copies of the invoices for debit card invoices.

Conclusion - Response accepted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2007

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

II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the public works, culture and recreation, general government, and 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.

II-B-07 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.

II-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brooks Anderson, Council Member Owner of an embroidery business	Tee Shirts for the Quasquicentennial	\$3,621

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the council member appears to represent a conflict of interest as total transactions were greater than \$2,500 during the fiscal year.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2007

Recommendation- The City should have received bids for this expenditure as it was greater than \$2,500 during the fiscal year.

Response- This was an oversight this year as this was a one time expenditure.

Conclusion- Response accepted.

II-E-07 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.

II-F-07 Council Minutes – Out of thirty items tested it was noted that three disbursements were not approved in the council minutes.

Chapter Although minutes of the council proceedings were published, the publications did not include a summary of receipts and disbursements by fund as required by 372 of the Code of Iowa.

Recommendation – The City should review their procedures to make sure all disbursements are approved in the minutes and the publications are in accordance with the Code of Iowa.

Response- We will do this.

Conclusion- Response accepted.

II-G-07 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.

II-H-07 Financial Condition - There were several funds in a deficit position as of June 30, 2007.

Recommendation - The City should review these deficits.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2007

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

Conclusion - Response accepted.

II-I-07 TIF Balance – There is a balance of \$20,877 in the TIF Account, Special Revenue Fund at June 30, 2007.

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.

II-J-07 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.