

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, 2009

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City of Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Tate	Mayor	Jan 2012
Randy Hopkins	Council Member	Jan 2012
Don Schossow	Council Member	Jan 2012
Rich Newgard	Council Member	Jan 2012
Linda Bieri	Council Member	Jan 2010
Jesse Newgard	Council Member	Jan 2010
Jillian Kreig	City Administrator	Jan 2010
Ann Beneke	Attorney	Jan 2010

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, 2009, 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, 2009 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, 2009, 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 5, 2010 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 7 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 six years ended June 30, 2008 (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 5, 2010

CITY OF LAURENS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009. Readers should consider this information in conjunction with the City's financial statements, which follow.

Basis of Accounting

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

Financial Highlights

- The City's operating revenues increased 3.23%, or \$57,251, from 2008 to 2009
- The City's operating expenses increased 40%, or \$788,089 from 2008 to 2009, due to the capital projects
- Two Capital Projects were continued during this fiscal year.
 1. The city received a CDBG grant & SRF loan to dig a well as the city is operating on one well. Expenditures for the 2008/2009 fiscal year were \$517,800.
 2. The city completed a street and infrastructure project, Main & 2nd Street, which will be paid through GO Bonds. Expenditures for the 2008/2009 fiscal year were \$377,608.
 3. The city began a Water Plant Renovation, through CDBG and SRF funding. Expenditures for 2008/2009 fiscal year were \$115,800.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	2009	2008	2007
Receipts:			
Property tax	390,901	369,707	335,650
Tax Increment Financing	34,814		
Other city tax	75,082	91,562	120,488
Licenses and permits	20,736	21,099	1,835
Use of money and property	20,649	51,850	52,651
Intergovernmental	237,808	378,407	292,406
Charges for service	63,610	81,241	218,658
Special assessments	5,483	7,988	8,606
Miscellaneous	63,037	99,235	102,338
Total	912,120	1,101,089	1,132,632

	2009	2008	2007
Disbursements:			
Operating			
Public safety	283,976	268,583	345,969
Public works	219,462	193,569	283,991
Culture and recreation	271,845	211,256	263,507
Community & economic dev.	23,720	66,721	6
General government	184,377	257,157	126,133
Debt service	160,521	148,200	148,403
Capital projects	377,608	318,446	417,102
Total	1,521,509	1,463,932	1,585,111

DEBT ADMINISTRATION

Outstanding Debt at Year-End

		June 30.	
	2009	2008	2007
General obligation bonds	\$ 235,000	365,000	490,000

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Laurens, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2009

	<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>
Functions/Programs:				
Governmental activities:				
Public safety	\$ 283,976	47,076	-	1,899
Public works	219,462	-	122,216	-
Culture and recreation	271,845	21,606	64,444	18,200
Community and economic development	23,720	-	274	-
General government	184,377	15,814	-	-
Debt service	160,521	-	-	-
Capital projects	377,608	-	-	-
Total governmental activities	<u>1,521,509</u>	<u>84,496</u>	<u>186,934</u>	<u>20,099</u>
Business type activities:				
Water	921,556	215,550	-	190,483
Sewer	149,760	165,828	-	2,000
Garbage	144,278	173,509	-	-
Total business type activities	<u>1,215,594</u>	<u>554,887</u>	<u>-</u>	<u>192,483</u>
Total	<u>\$ 2,737,103</u>	<u>639,383</u>	<u>186,934</u>	<u>212,582</u>

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Loan proceeds
Total general receipts
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 <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(235,001)	-	(235,001)
(97,246)	-	(97,246)
(167,595)	-	(167,595)
(23,446)	-	(23,446)
(168,563)	-	(168,563)
(160,521)	-	(160,521)
(377,608)	-	(377,608)
<u>(1,229,980)</u>	<u>-</u>	<u>(1,229,980)</u>
-	(515,523)	(515,523)
-	18,068	18,068
-	29,231	29,231
-	(468,224)	(468,224)
<u>(1,229,980)</u>	<u>(468,224)</u>	<u>(1,698,204)</u>
278,802	-	278,802
121,470	-	121,470
100,525	-	100,525
5,570	-	5,570
114,224	170,000	284,224
404,950	233,729	638,679
<u>1,025,541</u>	<u>403,729</u>	<u>1,429,270</u>
(204,439)	(64,495)	(268,934)
400,097	428,557	828,654
<u>\$ 195,658</u>	<u>364,062</u>	<u>559,720</u>
(68,849)	-	(68,849)
496,495	-	496,495
(231,988)	364,062	132,074
<u>\$ 195,658</u>	<u>364,062</u>	<u>559,720</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, 2009

	<u>General</u>	<u>Capital Project - 2nd & Main</u>
Receipts:		
Property tax	\$ 199,818	-
Other city tax	5,344	-
Licenses and permits	20,736	-
Use of money and property	20,649	-
Intergovernmental	115,592	-
Charges for service	63,610	-
Special assessments	648	-
Miscellaneous	49,086	-
Total receipts	475,483	-
Disbursements:		
Operating:		
Public safety	238,132	-
Public works	94,082	-
Culture and recreation	257,110	-
Community and economic development	15,750	-
General government	153,323	-
Debt service	-	-
Capital projects	-	377,608
Total disbursements	758,397	377,608
Excess (deficiency) of receipts over (under) disbursements	(282,914)	(377,608)
Other financing sources (uses):		
Bond proceeds	-	404,950
Total other financing sources (uses)	-	404,950
Net change in cash balances	(282,914)	27,342
Cash balances beginning of year	242,028	(11,824)
Cash balances end of year	\$ (40,886)	15,518
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	-
Unreserved:		
General fund	(40,886)	-
Special revenue funds	-	-
Capital projects funds	-	15,518
Permanent funds	-	-
Total cash basis fund balances	\$ (40,886)	15,518

See notes to financial statements.

Exhibit B

Other Nonmajor Governmental Funds	<u>Total</u>
191,083	390,901
104,552	109,896
-	20,736
-	20,649
122,216	237,808
-	63,610
4,835	5,483
<u>13,951</u>	<u>63,037</u>
<u>436,637</u>	<u>912,120</u>

45,844	283,976
125,380	219,462
14,735	271,845
7,970	23,720
31,054	184,377
160,521	160,521
-	377,608
<u>385,504</u>	<u>1,521,509</u>

<u>51,133</u>	<u>(609,389)</u>
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<u>-</u>	<u>404,950</u>
<u>-</u>	<u>404,950</u>

51,133	(204,439)
<u>169,893</u>	<u>400,097</u>
<u>221,026</u>	<u>195,658</u>

(68,849)	(68,849)
-	(40,886)
496,495	496,495
(274,048)	(258,530)
<u>67,428</u>	<u>67,428</u>
<u>221,026</u>	<u>195,658</u>

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

As of and for the year ended June 30, 2009

	Enterprise Funds				Total
	Water	Sewer	Garbage	Nonmajor Deposit	
Operating receipts:					
Charges for service	\$ 215,550	165,828	173,509	-	554,887
Total operating receipts	<u>215,550</u>	<u>165,828</u>	<u>173,509</u>	<u>-</u>	<u>554,887</u>
Operating disbursements:					
Business type activities	214,183	95,142	144,278	-	453,603
Total operating disbursements	<u>214,183</u>	<u>95,142</u>	<u>144,278</u>	<u>-</u>	<u>453,603</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,367</u>	<u>70,686</u>	<u>29,231</u>	<u>-</u>	<u>101,284</u>
Other financing sources (uses):					
Intergovernmental	190,483	2,000	-	-	192,483
Miscellaneous	170,000	-	-	-	170,000
Loan proceeds	233,729	-	-	-	233,729
Debt service	(20,694)	(54,618)	-	-	(75,312)
Capital projects	(686,679)	-	-	-	(686,679)
Total other financing sources (uses)	<u>(113,161)</u>	<u>(52,618)</u>	<u>-</u>	<u>-</u>	<u>(165,779)</u>
Net change in cash balances	(111,794)	18,068	29,231	-	(64,495)
Cash balances beginning of year	<u>276,425</u>	<u>104,032</u>	<u>41,858</u>	<u>6,242</u>	<u>428,557</u>
Cash balances end of year	<u>\$ 164,631</u>	<u>122,100</u>	<u>71,089</u>	<u>6,242</u>	<u>364,062</u>
Cash Basis Fund Balances					
Reserved for improvements	\$ -	-	-	-	-
Unreserved	<u>164,631</u>	<u>122,100</u>	<u>71,089</u>	<u>6,242</u>	<u>364,062</u>
Total cash basis fund balances	<u>\$ 164,631</u>	<u>122,100</u>	<u>71,089</u>	<u>6,242</u>	<u>364,062</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2009

(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, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage 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, 2009

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, 2009

Capital Projects:

The 2nd & Main Capital 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.

The Garbage Fund accounts for the operation and maintenance of the City's garbage and recycling 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.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2009

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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government, capital projects and business type activities functions.

E. Subsequent Events

Subsequent events have been evaluated through March 5, 2010, which is the date the financial statements were available to be issued.

(2) **Cash**

The City's deposits in banks at June 30, 2009 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, 2009. During the year ended June 30, 2009, the City invested its excess funds in a savings account and certificates of deposit.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2009

(3) Bonds and Notes Payable

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

Year Ending <u>June 30.</u>	General Obligation Notes		Special Revenue Bonds/Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 115,000	27,830	47,000	27,326	162,000	55,156
2011	120,000	22,950	49,000	25,916	169,000	48,866
2012	120,000	17,670	50,000	24,446	170,000	42,116
2013	45,000	12,230	52,000	22,946	97,000	35,176
2014	45,000	10,520	54,000	21,386	99,000	31,906
2015	50,000	8,720	56,000	19,765	106,000	28,485
2016	50,000	6,670	57,000	18,085	107,000	24,755
2017	50,000	4,570	58,000	16,375	108,000	20,945
2018	55,000	2,420	61,000	14,635	116,000	17,055
2019	---	---	62,000	12,805	62,000	12,805
2020	---	---	65,000	10,945	65,000	10,945
2021	---	---	66,000	8,995	66,000	8,995
2022	---	---	68,000	7,015	68,000	7,015
2023	---	---	62,845	4,975	62,845	4,975
2024	---	---	51,000	3,090	51,000	3,090
2025	---	---	<u>52,000</u>	<u>1,560</u>	<u>52,000</u>	<u>1,560</u>
	<u>\$ 650,000</u>	<u>113,580</u>	<u>910,845</u>	<u>240,265</u>	<u>1,560,845</u>	<u>353,845</u>
	=====	=====	=====	=====	=====	=====

Revenue Bonds/Notes

The City has pledged future water customer receipts, net of specified operating disbursements to repay \$356,000 in water revenue notes issued in September 2005. Proceeds from the notes were used to provide financing for water improvements. The notes were used to provide financing for water improvements. The notes are payable solely from water customer net receipts and are payable through 2023. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principle and interest remaining to be paid on the notes is \$304,140. For the current year, principal and interest paid and total customer net receipts were \$19,805 and \$1,367 respectively.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2009

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$807,000 in Sewer Revenue Bonds issued in May 2005. Proceeds from the notes provided financing for sewer improvements. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$846,970. For the current year, principal and interest paid and total customer net receipts were \$52,878 and \$70,686 respectively.

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.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$30,487, \$29,144, and \$24,164 respectively, equal to the required contributions for each year.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2009

(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, 2009.

(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) Deficit Fund Balances

The General Fund had a deficit balance of \$40,886 at June 30, 2009. This deficit balance is a result of transferring garbage to enterprise and parks expenditures. This deficit will be eliminated upon transfer of local option tax dollars.

The Debt Service Fund had a deficit balance of \$68,849 at June 30, 2009. 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 Special Revenue Fund, Employee Benefits had a deficit balance of \$127,649 at June 30, 2009. This deficit balance is a result of not levying for health insurance. This deficit will be eliminated upon future health insurance tax levy.

The Special Revenue Fund, Sister City Fund had a deficit balance of \$7,879 at June 30, 2009. This deficit balance is a result of expenses exceeding contributions. This deficit will be eliminated transfer of local option tax dollars.

The Capital Projects Fund, RISE Project had a deficit balance of \$540,971 at June 30, 2009. This deficit balance is a result of project costs being incurred prior to receipt of funds. This deficit will be eliminated upon receipt of tax increment funding and possibly transfer of funds.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2009

The Capital Projects Fund, Links account had a deficit balance of \$650 at June 30, 2009. This is a result of project costs exceeding receipts. This deficit will be eliminated upon transfer of funds.

(8) 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, 2009 were \$11,246. No further payments are due as of June 30, 2009.

(9) Construction Commitments

The City of Laurens has committed to several projects as of June 30, 2009. The well project will be approximately \$600,000 and will be paid from a federal grant and state revolving loan funds. As of June 30, 2009 approximately \$517,800 has been expended for this project. The 2nd and Main project will be approximately \$415,000 and will be paid with GO bonds. As of June 30, 2009 approximately \$377,608 has been expended on this project. The Water Plant renovation project will be approximately \$1,000,000 and will be paid with state revolving loan funds. As of June 30, 2009 approximately \$115,395 has been expended on this project.

(10) Subsequent Events

The City of Laurens had a fire in the water plant in March 2010. The financial effect on the City is not known other than delaying the renovation project.

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, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 390,901	-
Tax increment financing	34,814	-
Other city tax	75,082	-
Licenses and permits	20,736	-
Use of money and property	20,649	-
Intergovernmental	237,808	192,483
Charges for service	63,610	554,887
Special assessments	5,483	-
Miscellaneous	63,037	170,000
Total receipts	<u>912,120</u>	<u>917,370</u>
Disbursements:		
Public safety	283,976	-
Public works	219,462	-
Culture and recreation	271,845	-
Community and economic development	23,720	-
General government	184,377	-
Debt service	160,521	-
Capital projects	377,608	-
Business type activities	-	1,215,594
Total disbursements	<u>1,521,509</u>	<u>1,215,594</u>
Excess (deficiency) of receipts over (under) disbursements	(609,389)	(298,224)
Other financing sources, net	<u>404,950</u>	<u>233,729</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(204,439)	(64,495)
Balances beginning of year	<u>400,097</u>	<u>428,557</u>
Balances end of year	<u>\$ 195,658</u>	<u>364,062</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>	
390,901	359,467	359,467	31,434
34,814	34,569	34,569	245
75,082	90,477	90,477	(15,395)
20,736	3,135	3,135	17,601
20,649	66,625	66,625	(45,976)
430,291	537,558	1,057,558	(627,267)
618,497	738,428	738,428	(119,931)
5,483	-	-	5,483
<u>233,037</u>	<u>78,940</u>	<u>78,940</u>	<u>154,097</u>
<u>1,829,490</u>	<u>1,909,199</u>	<u>2,429,199</u>	<u>(599,709)</u>
283,976	243,368	263,368	(20,608)
219,462	166,152	218,152	(1,310)
271,845	195,811	270,811	(1,034)
23,720	15,750	15,750	(7,970)
184,377	61,561	81,561	(102,816)
160,521	138,780	138,780	(21,741)
377,608	356,000	1,148,000	770,392
<u>1,215,594</u>	<u>630,928</u>	<u>630,928</u>	<u>(584,666)</u>
<u>2,737,103</u>	<u>1,808,350</u>	<u>2,767,350</u>	<u>30,247</u>
(907,613)	100,849	(338,151)	(569,462)
<u>638,679</u>	<u>-</u>	<u>170,000</u>	<u>468,679</u>
(268,934)	100,849	(168,151)	(100,783)
<u>828,654</u>	<u>901,847</u>	<u>901,847</u>	<u>(73,193)</u>
<u>559,720</u>	<u>1,002,696</u>	<u>733,696</u>	<u>(173,976)</u>

City of Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, 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 revenues by \$520,000, disbursements by \$959,000 and other financing sources by \$170,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government, debt service, 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, 2009

	Special Revenue				
	<u>Police Special</u>	<u>Employee Benefits</u>	<u>Housing Incentive</u>	<u>TIF</u>	<u>Unemployment</u>
Receipts:					
Property tax	\$ -	37,814	-	34,814	-
Other city tax	-	1,012	-	-	-
Intergovernmental	-	-	-	-	-
Special assessments	-	-	274	-	-
Miscellaneous	251	-	-	-	-
Total receipts	<u>251</u>	<u>38,826</u>	<u>274</u>	<u>34,814</u>	<u>-</u>
Disbursements:					
Operating:					
Public safety	-	45,844	-	-	-
Public works	-	14,655	-	-	-
Culture and recreation	-	14,735	-	-	-
Community and economic development	-	-	-	-	-
General government	-	31,054	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>-</u>	<u>106,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>251</u>	<u>(67,462)</u>	<u>274</u>	<u>34,814</u>	<u>-</u>
Net change in cash balances	251	(67,462)	274	34,814	-
Cash balances beginning of year	2,733	(60,187)	4,373	20,877	6,135
Cash balances end of year	<u>\$ 2,984</u>	<u>(127,649)</u>	<u>4,647</u>	<u>55,691</u>	<u>6,135</u>
Cash Basis Fund Balances					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
Special revenue funds	\$ 2,984	(127,649)	4,647	55,691	6,135
Capital project funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	<u>\$ 2,984</u>	<u>(127,649)</u>	<u>4,647</u>	<u>55,691</u>	<u>6,135</u>

See accompanying independent auditor's report.

Schedule 1

Special Revenue						
Road Use	Local Option Sales Tax	Cemetery Road Paving	Sister City	Ragbrai	Quasquicentennial	Pool Committee
-	-	-	-	-	-	-
-	100,525	-	-	-	-	-
122,216	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,065	10,020	-	1,495	-
<u>122,216</u>	<u>100,525</u>	<u>1,065</u>	<u>10,020</u>	<u>-</u>	<u>1,495</u>	<u>-</u>
-	-	-	-	-	-	-
110,725	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,970	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>110,725</u>	<u>-</u>	<u>-</u>	<u>7,970</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>11,491</u>	<u>100,525</u>	<u>1,065</u>	<u>2,050</u>	<u>-</u>	<u>1,495</u>	<u>-</u>
11,491	100,525	1,065	2,050	-	1,495	-
141,466	288,390	400	(9,929)	1,461	10,848	5,425
<u>152,957</u>	<u>388,915</u>	<u>1,465</u>	<u>(7,879)</u>	<u>1,461</u>	<u>12,343</u>	<u>5,425</u>
-	-	-	-	-	-	-
152,957	388,915	1,465	(7,879)	1,461	12,343	5,425
-	-	-	-	-	-	-
<u>152,957</u>	<u>388,915</u>	<u>1,465</u>	<u>(7,879)</u>	<u>1,461</u>	<u>12,343</u>	<u>5,425</u>

(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, 2009

	Capital Projects			
	Downtown Project	Capital Equipment	Links Project	Rise Project
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	-	-	-	-
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	-	-	-	-
Excess (deficiency) of receipts over (under) disbursement:	-	-	-	-
Net change in cash balances	-	-	-	-
Cash balances beginning of year	11,325	256,248	(650)	(540,971)
Cash balances end of year	11,325	256,248	(650)	(540,971)
Cash Basis Fund Balances				
Reserved:				
Debt Service	-	-	-	-
Unreserved:				
Special revenue funds	-	-	-	-
Capital project funds	11,325	256,248	(650)	(540,971)
Permanent funds	-	-	-	-
Total cash basis fund balances	\$ 11,325	256,248	(650)	(540,971)

See accompanying independent auditor's report.

Debt Service	Permanent		Total
	Cemetery Perpetual Care	Library Trust	
118,455	-	-	191,083
3,015	-	-	104,552
-	-	-	122,216
4,561	-	-	4,835
-	1,120	-	13,951
<u>126,031</u>	<u>1,120</u>	<u>-</u>	<u>436,637</u>
-	-	-	45,844
-	-	-	125,380
-	-	-	14,735
-	-	-	7,970
-	-	-	31,054
160,521	-	-	160,521
-	-	-	-
<u>160,521</u>	<u>-</u>	<u>-</u>	<u>385,504</u>
<u>(34,490)</u>	<u>1,120</u>	<u>-</u>	<u>51,133</u>
(34,490)	1,120	-	51,133
<u>(34,359)</u>	<u>58,443</u>	<u>7,865</u>	<u>169,893</u>
<u>(68,849)</u>	<u>59,563</u>	<u>7,865</u>	<u>221,026</u>
(68,849)	-	-	(68,849)
-	-	-	496,495
-	-	-	(274,048)
<u>(68,849)</u>	<u>59,563</u>	<u>7,865</u>	<u>(1,421)</u>
<u>(68,849)</u>	<u>59,563</u>	<u>7,865</u>	<u>221,026</u>

City of Laurens, Iowa
Schedule of Indebtedness
Year ended June 30, 2009

<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:			
Sewer	May 23, 2005	3.00%	\$ 807,000
Water	Sep 9, 2005	3.00%	356,000
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>
60,000	-	60,000	-	2,820	-
<u>305,000</u>	<u>-</u>	<u>70,000</u>	<u>235,000</u>	<u>14,740</u>	<u>-</u>
<u>\$ 365,000</u>	<u>-</u>	<u>130,000</u>	<u>235,000</u>	<u>17,560</u>	<u>-</u>
<u>\$ 10,574</u>	<u>-</u>	<u>10,574</u>	<u>-</u>	<u>672</u>	<u>-</u>
695,849	151	32,000	664,000	20,878	-
<u>28,268</u>	<u>233,577</u>	<u>15,000</u>	<u>246,845</u>	<u>4,805</u>	<u>-</u>
<u>\$ 724,117</u>	<u>233,728</u>	<u>47,000</u>	<u>910,845</u>	<u>25,683</u>	<u>-</u>

Bond and Note Maturities

June 30, 2009

General Obligation Notes

Year Ending June 30,	Street Improvements			Street Improvements			Total
	Issued March 1, 2002			Issued March 1, 2002			
	Interest		Amount	Interest		Amount	
Rates		Rates					
2010	4.80 %	\$	75,000	3.20 %	\$	40,000	115,000
2011	4.90		80,000	3.40		40,000	120,000
2012	5.00		80,000	3.60		40,000	120,000
2013			-	3.80		45,000	45,000
2014			-	4.00		45,000	45,000
2015			-	4.10		50,000	50,000
2016			-	4.20		50,000	50,000
2017			-	4.30		50,000	50,000
2018			-	4.40		55,000	55,000
Total			<u>\$ 235,000</u>			<u>\$ 415,000</u>	<u>650,000</u>

Revenue Bonds

Year Ending June 30,	Water			Sewer			Total
	Issued May 23, 2005			Issued September 9, 2005			
	Interest		Amount	Interest		Amount	
Rates		Rates					
2010	3.00 %	\$	15,000	3.00 %	\$	32,000	47,000
2011	3.00		16,000	3.00		33,000	49,000
2012	3.00		16,000	3.00		34,000	50,000
2013	3.00		16,000	3.00		36,000	52,000
2014	3.00		17,000	3.00		37,000	54,000
2015	3.00		18,000	3.00		38,000	56,000
2016	3.00		18,000	3.00		39,000	57,000
2017	3.00		18,000	3.00		40,000	58,000
2018	3.00		19,000	3.00		42,000	61,000
2019	3.00		19,000	3.00		43,000	62,000
2020	3.00		20,000	3.00		45,000	65,000
2021	3.00		20,000	3.00		46,000	66,000
2022	3.00		21,000	3.00		47,000	68,000
2023	3.00		13,845	3.00		49,000	62,845
2024			-	3.00		51,000	51,000
2025			-	3.00		52,000	52,000
Total			<u>\$ 246,845</u>			<u>\$ 664,000</u>	<u>910,845</u>

City of Laurens, Iowa

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

For the Last Four Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Property tax	\$ 390,901	369,707	335,650	341,730
Tax increment financing collections	-	-	-	-
Other city tax	75,082	91,562	120,488	93,577
Licenses and permits	20,736	21,099	1,835	2,765
Use of money and property	20,649	51,850	52,651	67,629
Intergovernmental	237,808	378,407	292,406	885,985
Charges for service	63,610	81,241	218,658	247,509
Special assessments	5,483	7,988	8,606	12,856
Miscellaneous	<u>63,037</u>	<u>99,235</u>	<u>102,338</u>	<u>52,333</u>
 Total	 <u>\$ 877,306</u>	 <u>1,101,089</u>	 <u>1,132,632</u>	 <u>1,704,384</u>
Disbursements:				
Operating				
Public safety	\$ 283,976	268,583	345,969	316,591
Public works	219,462	193,569	283,991	308,145
Culture and recreation	271,845	211,256	263,507	175,591
Community and economic development	23,720	66,721	6	69
General government	184,377	257,157	126,133	76,955
Debt service	160,521	148,200	148,403	148,253
Capital projects	<u>377,608</u>	<u>318,446</u>	<u>417,102</u>	<u>734,794</u>
 Total	 <u>\$ 1,521,509</u>	 <u>1,463,932</u>	 <u>1,585,111</u>	 <u>1,760,398</u>

See accompanying independent auditor's report.

Schedule 4

<u>2005</u>	<u>2004</u>	<u>2003</u>
366,286	344,293	341,090
-	-	198
128,542	16,041	62,920
2,217	2,280	2,747
61,223	57,717	60,408
222,930	309,472	247,411
251,257	240,686	229,522
6,663	9,985	12,416
<u>30,872</u>	<u>27,675</u>	<u>69,969</u>
<u>1,069,990</u>	<u>1,008,149</u>	<u>1,026,681</u>
217,117	213,452	246,116
378,289	311,777	297,050
169,850	180,416	224,880
17	13	202
80,362	71,999	99,956
147,758	152,072	158,102
<u>10,780</u>	<u>29,287</u>	<u>35,442</u>
<u>1,004,173</u>	<u>959,016</u>	<u>1,061,748</u>

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
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, 2009, 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 5, 2010. 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 item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurens' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2009 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 5, 2010

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee handles almost all of the financial data.

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

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

Conclusion – Response accepted.

I-B-09 Countersignature of Checks – The City requires checks to be signed by two authorized individuals. Out of thirty two items tested it was noted that two checks had only one authorized signature.

Recommendation – As required by the City, all checks should be signed by two authorized individuals.

Response and Corrective Action Planned – We will follow procedures for two signatures on all checks.

Conclusion – Response accepted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2009

- I-C-09 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Laurens does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relating to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government, debt service 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.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2009

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-09 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-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 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>
Dennis Tate, Mayor Owner of an auto parts business	Vehicle Repairs	\$ 2,223

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Mayor do not appear to represent a conflict of interest as total transactions were less than \$2,500 during the fiscal year.

II-E-09 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.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2009

II-F-09 Council Minutes – Out of thirty two items tested it was noted that one disbursement was not approved in the council minutes.

Recommendation – The City should review their procedures to make sure all disbursements are approved in the minutes.

Response- We will do this.

Conclusion- Response accepted.

II-G-09 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-09 Revenue Bonds and Notes – The City is not in compliance with the water revenue note resolutions.

Recommendation – The City should review their water rates to make sure there is sufficient net operating income to meet the resolutions of the water revenue note.

Response – The City raised their rates in March of 2009.

Conclusion – Response accepted.

II-I-09 Financial Condition – There were several funds in a deficit position as of June 30, 2009.

Recommendation – The City should review these deficits.

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

Conclusion – Response accepted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2009

II-J-09 Inactive Capital Projects – There were several capital project accounts where the project has been completed, but the City still has a cash balance.

Recommendation – The City should review these accounts to see which ones can be closed out.

Response – We will review these accounts.

Conclusion – Response accepted.