

CITY OF LAURENS, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, 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 do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the receipts, disbursements and net assets of the business type activities would have increased by \$3,253,062, \$3,486,145 and \$5,314,752.

In our opinion, because of the omission of the blended components units as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the cash basis financial position of the business type activities.

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, each major fund and the aggregate remaining fund information for the primary government of the City of Laurens, Iowa as of June 30, 2010, 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 30, 2011 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 10 and 26 through 28 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 seven years ended June 30, 2009 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 9.4%, or approximately \$85,500, from fiscal year 2009 to fiscal year 2010. Property tax increased approximately \$30,377 and there were no bond proceeds in 2010.
- Disbursements of the City's governmental activities decreased 35%, or approximately \$540,000, in fiscal year 2010 from fiscal year 2009. Public works, culture and recreation and capital projects disbursements decreased approximately \$44,000, \$62,000 and \$378,000, respectively.
- The City's total cash basis net assets increased 29%, or approximately \$165,400, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$40,495 and the assets of the business type activities increased approximately \$124,860.

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 and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City 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. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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, health and social services, 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, the sanitary sewer system, and the garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

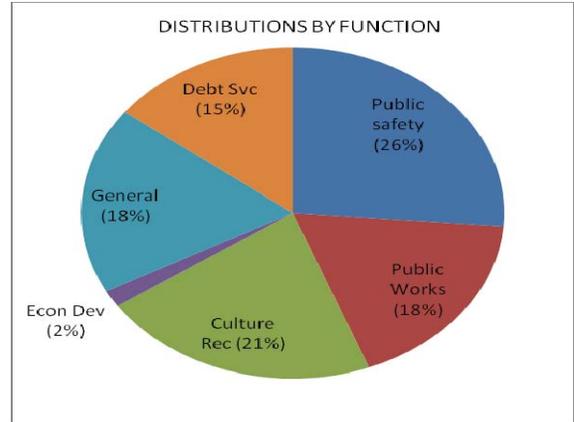
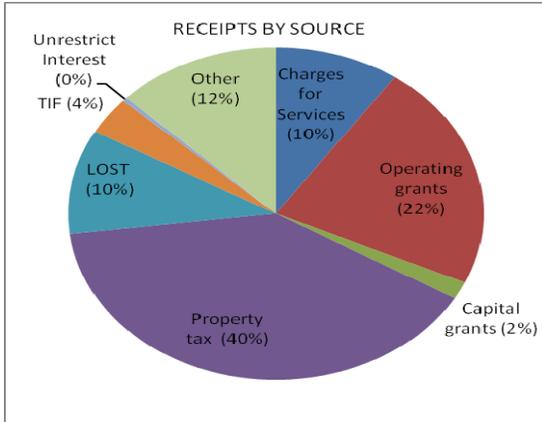
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Garbage Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$195,658 a year ago, to approximately \$236,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
<u>Receipts:</u>		
Program Receipts:		
Charges for Services:	\$ 96,584	84,496
Operating grants, contributions, restricted interest:	220,943	186,934
Capital grants, contributions, restricted interest:	16,929	20,099
General receipts:		
Property tax:	430,649	400,272
Local option sales tax:	101,776	100,525
Unrestricted interest on investments:	3,680	5,570
Loan proceeds:	0	404,950
Transfers:	26,000	0
Other general receipts:	127,077	114,224
TOTAL Receipts	1,023,638	1,317,070
Disbursements:		
Public Safety:	258,637	283,976
Public Works:	175,369	219,462
Culture & recreation:	210,061	271,845
Community, Economic Development:	16,211	23,720
General government:	179,533	184,377
Debt Service:	143,275	160,521
Capital projects:	57	377,608
TOTAL Disbursements:	983,143	1,521,509
Change in cash basis net assets:	40,495	(204,439)
Cash basis net assets beginning of year:	195,658	400,097
Cash basis net assets end of year:	\$ 236,153	195,658



The City's total receipts for governmental activities decreased 22%, or approximately \$294,000. The total cost of all programs and services decreased approximately \$538,000, or about 35%. The decrease in receipts and expenses was primarily the due to no GO capital projects or bond receipts received.

The City increased property tax rates for fiscal year 2010 approximately 7%. This increase raised the City's property tax receipts approximately \$30,377 in fiscal year 2010. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$15,000 next year.

The cost of all governmental activities this year was approximately \$983,000 compared to approximately \$1,521,000 last year, due mainly to the Main & 2nd Street Project. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2010 from approximately \$290,000 to approximately \$335,000, principally due to more charges for services and contributions. Public Works expenses decreased approximately \$44,000, and Culture & Recreation costs decreased about \$61,000.

Changes in Cash Basis net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program Receipts:		
Charges for Service:		
Water:	\$ 227,640	215,550
Sewer:	197,909	165,828
Garbage:	185,468	173,509
Capital grants, contributions, unrestricted interest:	114,291	192,483
General Receipts:		
Unrestricted interest on investments:		
Bond Proceeds:	815,000	233,729
Other general receipts:	119,948	170,000
TOTAL RECEIPTS:	1,660,256	1,151,099
Disbursements:		
Water:	1,190,326	921,556
Sewer:	156,190	149,760
Garbage:	162,880	144,278
TOTAL DISBURSEMENTS:	1,509,396	1,215,594
Change in cash basis net assets before transfers	150,860	-64,495
Transfers, net	(26,000)	-
Change in cash basis net assets	124,860	-64,495
Cash basis net assets beginning of year	364,062	428,557
Cash basis net assets end of year	\$ 488,922	364,062

Total business type activities receipts for the fiscal year were approximately \$1.66 million compared to approximately \$1.15 million last year. This significant increase was due primarily to the receipt of grant and loan funds for the Water Plant Renovation. The cash balance increased approximately \$124,000 from the prior year because part of the bond proceeds received will not be spent until next fiscal year for the Water Plant Project. Total disbursements for the fiscal year increased 25% to approximately \$1.5 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Laurens completed the year, its governmental funds reported a combined fund balance of \$236,153, an increase of more than \$40,000 above last year's total of \$195,658. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$44,000 from the prior year. Part of this increase was due to local option sales tax transferred for property tax relief.
- The Special Revenue, Road Use Tax Fund cash balance decreased approximately \$40,000 during the fiscal year. The decrease is due primarily to budgeted transfers to the general fund.
- The Debt Service Fund cash balance decreased approximately \$57,000 due primarily to a decrease in property tax receipts.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$74,425 to \$239,056, due to the timing of the revenue and expenditures of the Water Plant Project.
- The Enterprise, Sewer Fund cash balance increased \$33,847 to \$155,947, due to a small increase in sales.
- The Enterprise, Garbage Fund cash balance increased \$16,588 to \$87,677 due to a small increase in sales and dumpster rental.

BUDGETARY HIGHLIGHTS

The City’s receipts were \$307,825 less than budgeted. This was primarily due to the timing of the Main & 2nd Street Project.

Total disbursements were \$346,320 more than the budget. However, actual disbursements for the public safety, and general capital projects were \$30,470, and \$34,136 respectively, less than the amended budget. The City exceeded the amounts budgeted in the general government and business type activities functions for the year ended June 30, 2010 due to the Main & 2nd Street Project and the Water Plant Renovation. Public Works, Culture & Rec, General Government, Debt Service, and Business Type activities were \$19,871, \$24,432, \$1,211 \$81,192, \$43,824, and \$240,396, respectively, over budget due to street work, pool expenses, debt and expenses related to the Water Plant renovation.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$2,195,796 in bonds and other long-term debt outstanding, compared to \$1,145,845 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation bonds:	\$ 535,000	235,000
Special assessment bonds & notes:	0	0
Urban renewal tax increment financing revenue bonds:	0	0
Revenue notes:	1,660,796	910,845
Anticipatory warrants:	0	0
TOTAL:	\$ 2,195,796	1,145,845

Debt increased as a result of issuing revenue bonds for the Water Plant Renovation project. In addition, the City issued general obligation bonds for the Main & 2nd Street Project, while the GO Bonds for the Well Project were paid in full.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$535,000 is significantly below its constitutional debt limit of approximately \$1.88 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Laurens' elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the state of Iowa stands at 6.1% as of March, 2011 with a national rate of 9.5%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$1.8 million. The City will raise water, sewer, and garbage rates as needed to pay debt and plan future improvements. Budgeted disbursements are expected to decrease due to no major capital improvements planned for 2012. Decreases in population due to the 2010 census numbers had a detrimental impact on the 2012 fiscal year budget, and caused city officials to be extremely conservative in the estimates of revenue and on planning future projects. The City has added no major new programs or initiatives to the fiscal year 2012 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jillian Krieg, City Clerk, 272 N 3rd Street, Laurens, Iowa 50554.

Basic Financial Statements

City of Laurens, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2010

	<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	\$ 258,637	61,010	3,920	-
Public works	175,369	-	136,917	-
Culture and recreation	210,061	18,874	67,438	16,929
Community and economic development	16,211	-	-	-
General government	179,533	16,700	-	-
Debt service	143,275	-	-	-
Capital projects	57	-	12,668	-
Total governmental activities	<u>983,143</u>	<u>96,584</u>	<u>220,943</u>	<u>16,929</u>
Business type activities:				
Water	1,190,326	227,640	-	114,291
Sewer	156,190	197,909	-	-
Garbage	162,880	185,468	-	-
Total business type activities	<u>1,509,396</u>	<u>611,017</u>	<u>-</u>	<u>114,291</u>
Total	<u>\$ 2,492,539</u>	<u>707,601</u>	<u>220,943</u>	<u>131,220</u>

General Receipts:

Property tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Bond proceeds
Transfers
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:
Nonexpendable:
Cemetery perpetual care
Library trust
Expendable:
Streets
Other purposes
Debt service
Unrestricted
Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(193,707)	-	(193,707)
(38,452)	-	(38,452)
(106,820)	-	(106,820)
(16,211)	-	(16,211)
(162,833)	-	(162,833)
(143,275)	-	(143,275)
12,611	-	12,611
<u>(648,687)</u>	<u>-</u>	<u>(648,687)</u>
-	(848,395)	(848,395)
-	41,719	41,719
-	22,588	22,588
<u>-</u>	<u>(784,088)</u>	<u>(784,088)</u>
<u>(648,687)</u>	<u>(784,088)</u>	<u>(1,432,775)</u>
308,086	-	308,086
86,041	-	86,041
36,522	-	36,522
101,776	-	101,776
3,680	-	3,680
127,077	119,948	247,025
-	815,000	815,000
26,000	(26,000)	-
<u>689,182</u>	<u>908,948</u>	<u>1,598,130</u>
40,495	124,860	165,355
195,658	364,062	559,720
<u>\$ 236,153</u>	<u>488,922</u>	<u>725,075</u>
60,443	-	60,443
7,865	-	7,865
112,664	-	112,664
177,925	-	177,925
(126,083)	237,193	111,110
3,339	251,729	255,068
<u>\$ 236,153</u>	<u>\$ 488,922</u>	<u>\$ 725,075</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, 2010

Exhibit B

	<u>General</u>	<u>Special Revenue</u> Road <u>Use</u>	Debt <u>Service</u>
Receipts:			
Property tax	\$ 212,780	-	78,180
Tax increment financing	-	-	-
Other city tax	5,238	-	1,827
Licenses and permits	16,700	-	-
Use of money and property	20,258	-	-
Intergovernmental	120,116	136,917	-
Charges for service	69,769	-	-
Special assessments	-	-	6,034
Miscellaneous	75,299	-	-
Total receipts	520,160	136,917	86,041
Disbursements:			
Operating:			
Public safety	218,860	-	-
Public works	64,620	95,516	-
Culture and recreation	197,604	-	-
Community and economic development	15,750	-	-
General government	152,811	-	-
Debt service	-	-	143,275
Capital projects	-	-	-
Total disbursements	649,645	95,516	143,275
Excess (deficiency) of receipts over (under) disbursements	(129,485)	41,401	(57,234)
Other financing sources (uses):			
Operating transfers in	194,210	-	-
Operating transfers out	(20,500)	(81,694)	-
Total other financing sources (uses)	173,710	(81,694)	-
Net change in cash balances	44,225	(40,293)	(57,234)
Cash balances beginning of year	(40,886)	152,957	(68,849)
Cash balances end of year	\$ 3,339	112,664	(126,083)
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	(126,083)
Unreserved:			
General fund	3,339	-	-
Special revenue funds	-	112,664	-
Capital projects funds	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	\$ 3,339	112,664	(126,083)

See notes to financial statements.

Other Nonmajor Governmental Funds	<u>Total</u>
87,898	378,858
36,522	36,522
103,946	111,011
-	16,700
12,668	32,926
8,312	265,345
-	69,769
-	6,034
<u>5,174</u>	<u>80,473</u>
<u>254,520</u>	<u>997,638</u>
39,777	258,637
15,233	175,369
12,457	210,061
461	16,211
26,722	179,533
-	143,275
<u>57</u>	<u>57</u>
<u>94,707</u>	<u>983,143</u>
<u>159,813</u>	<u>14,495</u>
163,369	357,579
<u>(229,385)</u>	<u>(331,579)</u>
<u>(66,016)</u>	<u>26,000</u>
93,797	40,495
<u>152,436</u>	<u>195,658</u>
<u>246,233</u>	<u>236,153</u>
-	(126,083)
-	3,339
289,424	402,088
(111,499)	(111,499)
<u>68,308</u>	<u>68,308</u>
<u>246,233</u>	<u>236,153</u>

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

As of and for the year ended June 30, 2010

	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	Nonmajor Meter <u>Deposit</u>	<u>Total</u>
Operating receipts:					
Charges for service	\$ 227,640	197,909	185,468	-	611,017
Total operating receipts	<u>227,640</u>	<u>197,909</u>	<u>185,468</u>	<u>-</u>	<u>611,017</u>
Operating disbursements:					
Business type activities	171,481	102,610	162,880	-	436,971
Total operating disbursements	<u>171,481</u>	<u>102,610</u>	<u>162,880</u>	<u>-</u>	<u>436,971</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>56,159</u>	<u>95,299</u>	<u>22,588</u>	<u>-</u>	<u>174,046</u>
Non-operating receipts (disbursements)					
Intergovernmental	114,291	-	-	-	114,291
Miscellaneous	117,820	2,128	-	-	119,948
Loan proceeds	815,000	-	-	-	815,000
Debt service	(53,119)	(53,580)	-	-	(106,699)
Capital projects	<u>(965,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(965,726)</u>
Net non-operating receipts (disbursements)	<u>28,266</u>	<u>(51,452)</u>	<u>-</u>	<u>-</u>	<u>(23,186)</u>
Excess of receipts over disbursements	84,425	43,847	22,588	-	150,860
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>(26,000)</u>
Net change in cash balances	74,425	33,847	16,588	-	124,860
Cash balances beginning of year	<u>164,631</u>	<u>122,100</u>	<u>71,089</u>	<u>6,242</u>	<u>364,062</u>
Cash balances end of year	<u>\$ 239,056</u>	<u>155,947</u>	<u>87,677</u>	<u>6,242</u>	<u>488,922</u>
Cash Basis Fund Balances					
Reserved for improvements	\$ 232,204	4,989	-	-	237,193
Unreserved	<u>6,852</u>	<u>150,958</u>	<u>87,677</u>	<u>6,242</u>	<u>251,729</u>
Total cash basis fund balances	<u>\$ 239,056</u>	<u>155,947</u>	<u>87,677</u>	<u>6,242</u>	<u>488,922</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2010

(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, 2010

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 not meeting the definition of the preceding categories. 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, 2010

Special Revenue:

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

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

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

The Enterprise, 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.

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, 2010

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, general government, debt service and business type activities functions.

(2) Cash

The City's deposits in banks at June 30, 2010 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, 2010. During the year ended June 30, 2010, the City invested its excess funds in a savings account and certificates of deposit.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2010

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 120,000	22,950	75,000	36,054	195,000	59,004
2012	120,000	17,670	77,000	33,804	197,000	51,474
2013	45,000	12,230	80,000	31,494	125,000	43,724
2014	45,000	10,520	83,000	29,094	128,000	39,614
2015	50,000	8,720	86,000	26,604	136,000	35,324
2016-2020	155,000	13,660	447,796	95,519	602,796	109,179
2021-2025	-	-	353,000	32,460	353,000	32,460
Total	\$ 535,000	85,750	1,201,796	285,029	1,736,796	370,779

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 are payable solely from water 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 principle and interest remaining to be paid on the notes is \$357,600. For the current year, principal and interest paid and total customer net receipts were \$23,718 and \$56,159 respectively.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2010

The City has pledged future water customer receipts, net of specified operating disbursements to repay \$1,154,000 of water revenue notes authorized in January 2010. Proceeds from the bonds will provide financing for the construction of improvements to the water system. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The notes are payable solely from the water customer net receipts and are payable through 2029. The City is drawing down funds from this revenue bond as needed. As of June 30, 2010 \$768,796 has been received by the City. Of this amount received, \$459,000 is forgivable as described in the following paragraph.

Four hundred fifty nine thousand of the total \$1.154 million water revenue note is a forgivable loan. The \$459,000 is forgivable provided that the City of Laurens completes the project in accordance with the note agreement. Not only is the principal forgiven, but the interest, servicing fee and initiation fee are also forgiven. Repayments on this bond commence with the fiscal year ending June 30, 2010.

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 \$795,050. For the current year, principal and interest paid and total customer net receipts were \$51,920 and \$95,299 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.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2010

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$39,763, \$30,487, and \$29,144 respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The city operates a single-employer health benefit plan which provides medical/dental benefits for employees and retirees and their spouses. There are 8 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/dental benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$268 for single coverage, \$668 for 2-person coverage, member plus children and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$89,870 and plan members eligible for benefits contributed \$0 to the plan.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2010

(6) 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, 2010.

(7) 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.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 81,421
	Road Use	66,694
	Ragbrai	1,461
	Quasicentennial	13,100
	Police Special	11,534
	Enterprise:	
	Water	10,000
	Sewer	<u>10,000</u>
		194,210
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	20,355
Special Revenue:	Special Revenue:	
Sister City	Local Option Sales Tax	8,594

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2010

Capital Projects: Links Project	Special Revenue: Local Option Sales Tax	707
Capital Projects: Capital Equipment	Special Revenue: Road Use	15,000
	Enterprise: Garbage	6,000
	General	<u>20,500</u>
		41,500
Capital Projects: Rise Project	Special Revenue: TIF	<u>92,213</u>
Total		\$ <u>357,579</u>

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

(9) Deficit Fund Balances

The Debt Service Fund had a deficit balance of \$126,083 at June 30, 2010. 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 \$111,415 at June 30, 2010. This deficit balance is a result of not levying for health insurance. This deficit will be eliminated upon future health insurance tax levy.

The Capital Projects Fund, RISE Project had a deficit balance of \$448,758 at June 30, 2010. 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, 2010

(10) Construction Commitments

The City of Laurens has committed to several projects as of June 30, 2010. The water plant renovation project will be approximately \$1,154,000 and will be paid with state revolving loan funds. As of June 30, 2010 approximately \$769,000 has been expended on this project. The reverse osmosis and new water meter project will be approximately \$440,000 and will be paid for by a Community Development Block Grant. As of June 30, 2010 approximately \$114,000 has been expended on this project.

(11) Subsequent Events

The City has evaluated subsequent events through March 30, 2011, the date which the financial statements were available to be issued.

In September 2010, the City of Laurens entered into a lease agreement for the purchase of a John Deere loader. The lease is a 5 year agreement for \$87,900 requiring annual payments of \$19,642 with an interest rate of 3.75%.

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, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 378,858	-
Tax increment financing	36,522	-
Other city tax	111,011	-
Licenses and permits	16,700	-
Use of money and property	32,926	-
Intergovernmental	265,345	114,291
Charges for service	69,769	611,017
Special assessments	6,034	-
Miscellaneous	80,473	119,948
Total receipts	<u>997,638</u>	<u>845,256</u>
Disbursements:		
Public safety	258,637	-
Public works	175,369	-
Culture and recreation	210,061	-
Community and economic development	16,211	-
General government	179,533	-
Debt service	143,275	-
Capital projects	57	-
Business type activities	-	1,509,396
Total disbursements	<u>983,143</u>	<u>1,509,396</u>
Excess (deficiency) of receipts over (under) disbursements	14,495	(664,140)
Other financing sources, net	<u>26,000</u>	<u>789,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	40,495	124,860
Balances beginning of year	<u>195,658</u>	<u>364,062</u>
Balances end of year	<u>\$ 236,153</u>	<u>488,922</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>	
378,858	379,806	379,806	(948)
36,522	34,193	34,193	2,329
111,011	83,686	83,686	27,325
16,700	3,260	3,260	13,440
32,926	65,273	65,273	(32,347)
379,636	823,501	823,501	(443,865)
680,786	734,900	734,900	(54,114)
6,034	-	-	6,034
<u>200,421</u>	<u>26,100</u>	<u>26,100</u>	<u>174,321</u>
<u>1,842,894</u>	<u>2,150,719</u>	<u>2,150,719</u>	<u>(307,825)</u>
258,637	289,107	289,107	30,470
175,369	155,498	155,498	(19,871)
210,061	185,629	185,629	(24,432)
16,211	15,000	15,000	(1,211)
179,533	98,341	98,341	(81,192)
143,275	99,451	99,451	(43,824)
57	34,193	34,193	34,136
<u>1,509,396</u>	<u>1,269,000</u>	<u>1,269,000</u>	<u>(240,396)</u>
<u>2,492,539</u>	<u>2,146,219</u>	<u>2,146,219</u>	<u>(346,320)</u>
(649,645)	4,500	4,500	(654,145)
<u>815,000</u>	<u>-</u>	<u>-</u>	<u>815,000</u>
165,355	4,500	4,500	160,855
<u>559,720</u>	<u>853,073</u>	<u>853,073</u>	<u>(293,353)</u>
<u>725,075</u>	<u>857,573</u>	<u>857,573</u>	<u>(132,498)</u>

City of Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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, the Permanent Fund and the Enterprise 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 ended June 30, 2010, disbursements exceeded the amounts budgeted in the 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, 2010

	Special Revenue				
	Police Special	Employee Benefits	Housing Incentive	TIF	Unemployment
Receipts:					
Property tax	\$ -	87,898	-	-	-
Tax increment financing	-	-	-	36,522	-
Other city tax	-	2,170	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	8,312	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	238	-	-	-	-
Total receipts	<u>8,550</u>	<u>90,068</u>	<u>-</u>	<u>36,522</u>	<u>-</u>
Disbursements:					
Operating:					
Public safety	-	39,777	-	-	-
Public works	-	15,233	-	-	-
Culture and recreation	-	12,457	-	-	-
Community and economic development	-	-	-	-	-
General government	-	26,722	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	<u>-</u>	<u>94,189</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>8,550</u>	<u>(4,121)</u>	<u>-</u>	<u>36,522</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in	-	20,355	-	-	-
Operating transfers out	(11,534)	-	-	(92,213)	-
Total other financing sources (uses)	<u>(11,534)</u>	<u>20,355</u>	<u>-</u>	<u>(92,213)</u>	<u>-</u>
Net change in cash balances	(2,984)	16,234	-	(55,691)	-
Cash balances beginning of year	2,984	(127,649)	4,647	55,691	6,135
Cash balances end of year	<u>\$ -</u>	<u>(111,415)</u>	<u>4,647</u>	<u>-</u>	<u>6,135</u>
Cash Basis Fund Balances					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
Special revenue funds	\$ -	(111,415)	4,647	-	6,135
Capital project funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>(111,415)</u>	<u>4,647</u>	<u>-</u>	<u>6,135</u>

See accompanying independent auditor's report.

Schedule 1

Special Revenue						
Local Option						
Sales	Cemetery					
Tax	Road Paving	Sister City	Ragbrai	Quasquicentennial	Pool Committee	
-	-	-	-	-	-	-
-	-	-	-	-	-	-
101,776	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,356	1,943	-	757	-	-
<u>101,776</u>	<u>1,356</u>	<u>1,943</u>	<u>-</u>	<u>757</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	461	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	461	-	-	-	-
<u>101,776</u>	<u>1,356</u>	<u>1,482</u>	<u>-</u>	<u>757</u>	<u>-</u>	<u>-</u>
-	-	8,594	-	-	-	-
(111,077)	-	-	(1,461)	(13,100)	-	-
<u>(111,077)</u>	<u>-</u>	<u>8,594</u>	<u>(1,461)</u>	<u>(13,100)</u>	<u>-</u>	<u>-</u>
(9,301)	1,356	10,076	(1,461)	(12,343)	-	-
388,915	1,465	(7,879)	1,461	12,343	5,425	-
<u>379,614</u>	<u>2,821</u>	<u>2,197</u>	<u>-</u>	<u>-</u>	<u>5,425</u>	<u>-</u>
-	-	-	-	-	-	-
379,614	2,821	2,197	-	-	5,425	-
-	-	-	-	-	-	-
<u>379,614</u>	<u>2,821</u>	<u>2,197</u>	<u>-</u>	<u>-</u>	<u>5,425</u>	<u>-</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, 2010

	Capital Projects				
	Downtown Project	2nd & Main	Links Project	Capital Equipment	Rise Project
Receipts:					
Property tax	\$ -	-	-	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	12,668	-
Intergovernmental	-	-	-	-	-
Special Assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	-	-	-	12,668	-
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	57	-	-
Total disbursements	-	-	57	-	-
Excess (deficiency) of receipts over (under) disbursement:	-	-	(57)	12,668	-
Other financing sources (uses):					
Operating transfers in	-	-	707	41,500	92,213
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	707	41,500	92,213
Net change in cash balances	-	-	650	54,168	92,213
Cash balances beginning of year	11,325	15,518	(650)	256,248	(540,971)
Cash balances end of year	11,325	15,518	-	310,416	(448,758)
Cash Basis Fund Balances					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
Special revenue funds	-	-	-	-	-
Capital project funds	11,325	15,518	-	310,416	(448,758)
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ 11,325	15,518	-	310,416	(448,758)

See accompanying independent auditor's report.

Schedule 1

<u>Permanent</u>		
<u>Cemetery</u>		
<u>Perpetual</u>	<u>Library</u>	
<u>Care</u>	<u>Trust</u>	<u>Total</u>
-	-	87,898
-	-	36,522
-	-	103,946
-	-	12,668
-	-	8,312
-	-	-
<u>880</u>	<u>-</u>	<u>5,174</u>
<u>880</u>	<u>-</u>	<u>254,520</u>
-	-	39,777
-	-	15,233
-	-	12,457
-	-	461
-	-	26,722
-	-	-
-	-	<u>57</u>
-	-	<u>94,707</u>
<u>880</u>	<u>-</u>	<u>159,813</u>
-	-	163,369
-	-	(229,385)
-	-	(66,016)
<u>880</u>	<u>-</u>	<u>93,797</u>
<u>59,563</u>	<u>7,865</u>	<u>152,436</u>
<u>60,443</u>	<u>7,865</u>	<u>246,233</u>
-	-	-
-	-	289,424
-	-	(111,499)
<u>60,443</u>	<u>7,865</u>	<u>68,308</u>
<u>60,443</u>	<u>7,865</u>	<u>246,233</u>

City of Laurens, Iowa

Schedule of Indebtedness

Year ended June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Essential corporate purpose:			
Street improvements	Mar 1, 2002	3.00-5.00%	675,000
Street improvements	Aug 20, 2008	3.20-4.40%	415,000
Total			
Revenue bonds:			
Sewer	May 23, 2005	3.00%	\$ 807,000
Water	Sep 9, 2005	3.00%	356,000
Water - Forgivable	Dec 16, 2009	0.00%	459,000
Water -Non-forgivable	Dec 16, 2009	3.00%	695,000
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>
235,000	-	75,000	160,000	11,520	-
<u>415,000</u>	<u>-</u>	<u>40,000</u>	<u>375,000</u>	<u>16,310</u>	<u>-</u>
<u>\$ 650,000</u>	<u>-</u>	<u>115,000</u>	<u>535,000</u>	<u>27,830</u>	<u>-</u>
664,000	-	32,000	632,000	19,920	-
246,845	53,155	15,000	285,000	8,718	-
-	459,000	-	459,000	-	-
-	309,796	25,000	284,796	2,506	-
<u>\$ 910,845</u>	<u>821,951</u>	<u>72,000</u>	<u>1,660,796</u>	<u>31,144</u>	<u>-</u>

Bond and Note Maturities

June 30, 2010

General Obligation Notes

Year Ending <u>June 30,</u>	<u>Street Improvements</u>			<u>Street Improvements</u>			<u>Total</u>
	<u>Issued March 1, 2002</u>			<u>Issued August 20, 2008</u>			
	Interest			Interest			
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>			
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>\$ 160,000</u>		<u>\$ 375,000</u>		<u>535,000</u>	

Revenue Bonds

Year Ending <u>June 30,</u>	<u>Water</u>			<u>Sewer</u>		
	<u>Issued May 23, 2005</u>			<u>Issued September 9, 2005</u>		
	Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>		
2011	3.00 %	\$ 16,000	3.00 %	\$ 33,000		
2012	3.00	16,000	3.00	34,000		
2013	3.00	16,000	3.00	36,000		
2014	3.00	17,000	3.00	37,000		
2015	3.00	18,000	3.00	38,000		
2016	3.00	18,000	3.00	39,000		
2017	3.00	18,000	3.00	40,000		
2018	3.00	19,000	3.00	42,000		
2019	3.00	19,000	3.00	43,000		
2020	3.00	20,000	3.00	45,000		
2021	3.00	20,000	3.00	46,000		
2022	3.00	21,000	3.00	47,000		
2023	3.00	22,000	3.00	49,000		
2024	3.00	22,000	3.00	51,000		
2025	3.00	23,000	3.00	52,000		
Total		<u>\$ 285,000</u>		<u>\$ 632,000</u>		

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2010

Year Ending June 30,	Revenue Bonds						Total
	Water - Forgivable			Water -Non-forgivable			
	Issued December 16, 2009			Issued December 16, 2009			
	Interest			Interest			
	Rates	Amount	Rates	Amount			
2011	0.00 %	\$ 19,000	3.00 %	\$ 26,000		94,000	
2012	0.00	18,000	3.00	27,000		95,000	
2013	0.00	19,000	3.00	28,000		99,000	
2014	0.00	20,000	3.00	29,000		103,000	
2015	0.00	20,000	3.00	30,000		106,000	
2016	0.00	21,000	3.00	30,000		108,000	
2017	0.00	21,000	3.00	31,000		110,000	
2018	0.00	22,000	3.00	33,000		116,000	
2019	0.00	23,000	3.00	34,000		119,000	
2020	0.00	24,000	3.00	16,796		105,796	
2021	0.00	24,000	3.00	-		90,000	
2022	0.00	25,000	3.00	-		93,000	
2023	0.00	26,000	3.00	-		97,000	
2024	0.00	27,000	3.00	-		100,000	
2025	0.00	28,000	3.00	-		103,000	
2026	0.00	29,000	3.00	-		29,000	
2027	0.00	30,000	3.00	-		30,000	
2028	0.00	31,000	3.00	-		31,000	
2029	0.00	32,000	3.00	-		32,000	
Total		<u>\$ 459,000</u>		<u>\$ 284,796</u>		<u>1,660,796</u>	

See accompanying independent auditor's report.

City of Laurens, Iowa

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

For the Last Eight Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:				
Property tax	\$ 378,858	390,901	369,707	335,650
Tax increment financing collections	36,522	-	-	-
Other city tax	111,011	75,082	91,562	120,488
Licenses and permits	16,700	20,736	21,099	1,835
Use of money and property	32,926	20,649	51,850	52,651
Intergovernmental	265,345	237,808	378,407	292,406
Charges for service	69,769	63,610	81,241	218,658
Special assessments	6,034	5,483	7,988	8,606
Miscellaneous	<u>80,473</u>	<u>63,037</u>	<u>99,235</u>	<u>102,338</u>
 Total	 <u>\$ 997,638</u>	 <u>877,306</u>	 <u>1,101,089</u>	 <u>1,132,632</u>
Disbursements:				
Operating				
Public safety	\$ 258,637	283,976	268,583	345,969
Public works	175,369	219,462	193,569	283,991
Culture and recreation	210,061	271,845	211,256	263,507
Community and economic development	16,211	23,720	66,721	6
General government	179,533	184,377	257,157	126,133
Debt service	143,275	160,521	148,200	148,403
Capital projects	<u>57</u>	<u>377,608</u>	<u>318,446</u>	<u>417,102</u>
 Total	 <u>\$ 983,143</u>	 <u>1,521,509</u>	 <u>1,463,932</u>	 <u>1,585,111</u>

See accompanying independent auditor's report.

Schedule 4

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
341,730	366,286	344,293	341,090
-	-	-	198
93,577	128,542	16,041	62,920
2,765	2,217	2,280	2,747
67,629	61,223	57,717	60,408
885,985	222,930	309,472	247,411
247,509	251,257	240,686	229,522
12,856	6,663	9,985	12,416
<u>52,333</u>	<u>30,872</u>	<u>27,675</u>	<u>69,969</u>
<u>1,704,384</u>	<u>1,069,990</u>	<u>1,008,149</u>	<u>1,026,681</u>
316,591	217,117	213,452	246,116
308,145	378,289	311,777	297,050
175,591	169,850	180,416	224,880
69	17	13	202
76,955	80,362	71,999	99,956
148,253	147,758	152,072	158,102
<u>734,794</u>	<u>10,780</u>	<u>29,287</u>	<u>35,442</u>
<u>1,760,398</u>	<u>1,004,173</u>	<u>959,016</u>	<u>1,061,748</u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Granter/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Program Expenditures</u>
Indirect			
Department of Housing and Urban Development:			
Iowa Department of Economic Development			
Community Development Block Grant/ States Program and Non-Entitlement			
Grants in Hawaii	14.228	09-CDR-011	\$ 114,291
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Drinking Water State			
Revolving Funds	66.468	FY 2010	<u>459,000</u>
Total			<u>\$ 573,291</u>

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

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Laurens, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the primary government's basic financial statements as listed in the table of contents and have issued our report thereon dated March 30, 2011. Our report expressed unqualified opinions on the financial statements, except for the business type activities, 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Laurens' financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Laurens' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 30, 2011

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Laurens, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. The City of Laurens' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Laurens' management. Our responsibility is to express an opinion on the City of Laurens' compliance based on our audit.

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

In our opinion, the City of Laurens complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Laurens is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and

grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Laurens' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Laurens' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

The City of Laurens' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 30, 2011

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.488-Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Laurens did not qualify as a low-risk auditee.

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-10 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.

II-B-10 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. 115, *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.

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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 III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 66.468: Capitalization Grant for Drinking Water State Revolving Funds

Federal Award Year: 2010

Environmental Protection Agency

Passed through the Iowa Finance Authority

III-A-10 Segregation of Duties – The City does not properly segregate record-keeping duties including those related to federal programs. See item II-A-10.

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the 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.

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

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

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 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>
Clarence Siepker, Council Member Owner of an auto repair business	Vehicle Repairs	\$ 1,733

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

City of Laurens, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

IV-F-10 Council Minutes – Out of twenty three items tested it was noted that two disbursement were not on the claims listing 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.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10 Revenue Bonds and Notes – No instances of non-compliance with the revenue note bond and note resolution were noted.

IV-I-10 Financial Condition – There were three funds in a deficit position as of June 30, 2010.

Recommendation – The City should review these deficits.

Response – See footnote number nine for the City's plan to eliminate these deficits.

Conclusion – Response accepted.

IV-J-10 Inactive Capital Projects – There are two 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.