

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, 2011

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City of Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Kent Radford	Mayor	Jan 2012
Randy Hopkins	Council Member	Jan 2012
Don Schossow	Council Member	Jan 2012
Rich Newgard	Council Member	Jan 2012
Ken Kunickis	Council Member	Jan 2014
Clarence Siepker	Council Member	Jan 2014
Jillian Kreig	City Administrator	Jan 2012
Ann Beneke	Attorney	Jan 2012

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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, 2011, 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 \$3,300,233, \$3,540,413 and \$5,046,807.

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, 2011, 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 14, 2012 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 on 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 27 through 29 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 eight years ended June 30, 2010 (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.

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

March 14, 2012

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, 2011. 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 6.16%, or approximately \$61,500, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$73,000.
- Disbursements of the City's governmental activities increased 9.98%, or approximately \$98,000, in fiscal year 2011 from fiscal year 2010. Public works and culture and recreation disbursements increased approximately \$61,000 and \$50,000, respectively.
- The City's total cash basis net assets decreased 8.84%, or approximately \$64,100, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$14,000 and the assets of the business type activities increased approximately \$78,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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.

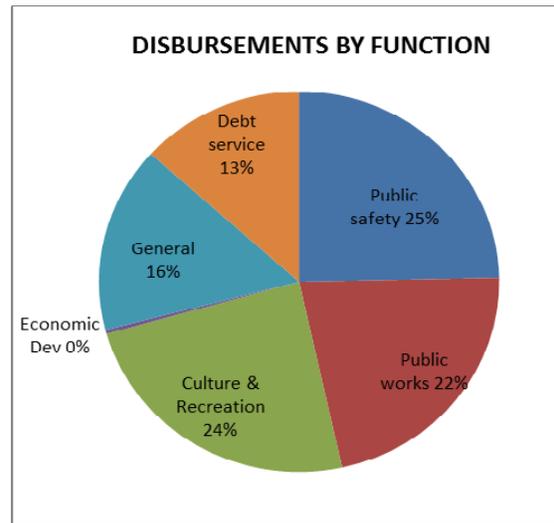
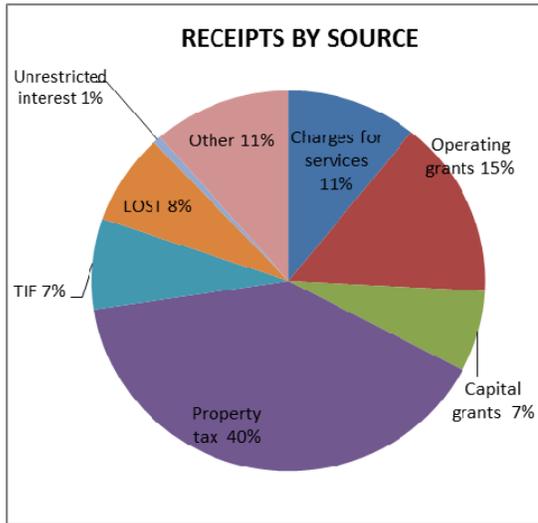
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Garbage Funds, considered to be major funds of the City.

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 \$236,153 a year ago, to \$250,000. 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,	
		2011	2010
<u>Receipts:</u>			
Program Receipts:			
Charges for Services:	\$	113,519	\$ 96,584
Operating grants, contributions, restricted interest:		160,176	220,943
Capital grants, contributions, restricted interest:		73,058	16,929
General receipts:			
Property tax:		503,549	430,649
Local option sales tax:		81,573	101,776
Unrestricted interest on investments:		7,199	3,680
Transfers:		36,000	26,000
Other general receipts:		120,045	127,077
TOTAL Receipts		1,095,119	1,023,638
Disbursements:			
Public Safety:		266,660	258,637
Public Works:		236,607	175,369
Culture & recreation:		259,904	210,061
Community, Economic Development:		3,839	16,211
General government:		170,817	179,533
Debt Service:		143,445	143,275
Capital projects:		-	57
TOTAL Disbursements:		1,081,272	983,143
Change in cash basis net assets:		13,847	40,495
Cash basis net assets beginning of year:		236,153	195,658
Cash basis net assets end of year:	\$	250,000	\$ 236,153



The City's total receipts for governmental activities decreased 6.98%, or approximately \$71,500. The total cost of all programs and services increased approximately \$98,000, or about 9.98%. The decrease in receipts was primarily due to not being allocated the annual \$50,000 park and recreation payment from the Laurens Municipal Light Plant in 2011 that has been received in prior years.

The City increased property tax rates for fiscal year 2011 approximately 16.93%. This increase raised the City's property tax receipts approximately \$73,000 in fiscal year 2011. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$27,653 next year.

The cost of all governmental activities this year was approximately \$1,081,000 compared to approximately \$983,000 last year, due mainly to street improvements and Pocket Park expenses. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2011 from approximately \$335,000 to approximately \$347,000, principally due to more charges for services. Public Works expenses increased approximately \$61,000 and Culture & Recreation costs increased about \$50,000.

Changes in Cash Basis net Assets of Business Type Activities

	Year ended June 30,	
	2011	2010
Receipts:		
Program Receipts:		
Charges for Service:		
Water:	\$ 266,216	227,640
Sewer:	207,048	197,909
Garbage:	198,817	185,468
Capital grants, contributions, unrestricted interest:	325,709	114,291
General Receipts:		
Unrestricted interest on investments:		
Bond Proceeds:	382,019	815,000
Other general receipts:	12,305	119,948
TOTAL RECEIPTS:	<u>1,392,114</u>	<u>1,660,256</u>
Disbursements:		
Water:	1,075,298	1,190,326
Sewer:	180,459	156,190
Garbage:	178,285	162,880
TOTAL DISBURSEMENTS:	<u>1,434,042</u>	<u>1,509,396</u>
Change in cash basis net assets before transfers	(41,928)	150,860
Transfers, net	<u>(36,000)</u>	<u>(26,000)</u>
Change in cash basis net assets	(77,928)	124,860
Cash basis net assets beginning of year	488,922	364,062
Cash basis net assets end of year	<u>\$ 410,994</u>	<u>\$ 488,922</u>

Total business type activities receipts for the fiscal year were approximately \$1.39 million compared to approximately \$1.66 million last year. This significant decrease was due primarily to the receipt of grant and loan funds for the Water Plant Renovation in 2010. The cash balance decreased approximately \$78,000 from the prior year because part of the bond proceeds received in 2010 were spent in this fiscal year 2011 for the Water Plant Project. Total disbursements for the fiscal year decreased 5% to approximately \$1.4 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Laurens completed the year, its governmental funds reported a combined fund balance of \$250,000, an increase of approximately \$14,000 above last year's total of \$236,153. 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 \$26,000 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 \$32,000 during the fiscal year. The decrease is due primarily to budgeted transfers to the general fund.
- The Debt Service Fund cash balance increased approximately \$126,000 due primarily to transfers from local option sales tax to eliminate prior year deficit balance.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$99,402 to \$139,654, due to the timing of the revenue and expenditures of the Water Plant Project.
- The Enterprise, Sewer Fund cash balance increased \$16,589 to \$172,536, due to a small increase in sales.
- The Enterprise, Garbage Fund cash balance increased \$4,885 to \$92,562 due to a small increase in sales and dumpster rental.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 2, 2011 and resulted in an increase in budgeted revenues by \$55,000, disbursements by \$987,500 and other financing sources by \$800,000. The increase in revenues was for the culture and recreation projects and the increase in disbursements and financing sources was to provide for additional receipts and disbursements due to the Water Plant renovation.

The City's receipts were \$447,973 more than budgeted. This was primarily due to the CDBG grant receipts of \$325,708.

With the budget amendment total disbursements were \$38,427 less than the budget. However, Culture & Recreation and General Government functions were \$17,490, \$36,611, respectively, over budget due to park expenses and building maintenance expenses for roof repairs.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$2,382,815 in bonds and other long-term debt outstanding, compared to \$2,195,796 last year, as shown below.

	Outstanding Debt at Year- End	
	June 30,	
	2011	2010
General obligation bonds:	\$ 415,000	\$ 535,000
Revenue notes:	1,967,815	1,660,796
TOTAL:	<u>\$ 2,382,815</u>	<u>2,195,796</u>

Debt increased as a result of issuing revenue bonds for the Water Plant Renovation project.

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 debt of \$415,000 is significantly below its constitutional debt limit of approximately \$2.0 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 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the county now stands at 4.6% versus 5.3% a year ago. Unemployment in the state of Iowa stands at 5.6% with a national rate of 8.5%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$815,000. 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 Barbara Smith, 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, 2011

	<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	\$ 266,660	65,614	4,744	-
Public works	236,607	-	136,370	-
Culture and recreation	259,904	29,766	19,062	73,058
Community and economic development	3,839	-	-	-
General government	170,817	18,139	-	-
Debt service	143,445	-	-	-
Total governmental activities	<u>1,081,272</u>	<u>113,519</u>	<u>160,176</u>	<u>73,058</u>
Business type activities:				
Water	1,075,298	266,216	-	325,709
Sewer	180,459	207,048	-	-
Garbage	178,285	198,817	-	-
Total business type activities	<u>1,434,042</u>	<u>672,081</u>	<u>-</u>	<u>325,709</u>
Total	<u>\$ 2,515,314</u>	<u>785,600</u>	<u>160,176</u>	<u>398,767</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
Debt service
Other purposes
Unrestricted
Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(196,302)	-	(196,302)
(100,237)	-	(100,237)
(138,018)	-	(138,018)
(3,839)	-	(3,839)
(152,678)	-	(152,678)
(143,445)	-	(143,445)
<u>(734,519)</u>	<u>-</u>	<u>(734,519)</u>
-	(483,373)	(483,373)
-	26,589	26,589
-	<u>20,532</u>	<u>20,532</u>
-	<u>(436,252)</u>	<u>(436,252)</u>
<u>(734,519)</u>	<u>(436,252)</u>	<u>(1,170,771)</u>
292,608	-	292,608
129,645	-	129,645
81,296	-	81,296
81,573	-	81,573
7,199	-	7,199
120,045	12,305	132,350
-	382,019	382,019
<u>36,000</u>	<u>(36,000)</u>	<u>-</u>
<u>748,366</u>	<u>358,324</u>	<u>1,106,690</u>
13,847	(77,928)	(64,081)
<u>236,153</u>	<u>488,922</u>	<u>725,075</u>
<u>\$ 250,000</u>	<u>410,994</u>	<u>660,994</u>
\$ 62,763	-	62,763
7,865	-	7,865
80,273	-	80,273
-	31,325	31,325
462,928	-	462,928
<u>(363,829)</u>	<u>379,669</u>	<u>15,840</u>
<u>\$ 250,000</u>	<u>410,994</u>	<u>660,994</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, 2011

	<u>General</u>	<u>Special Revenue Road Use</u>	<u>Debt Service</u>
Receipts:			
Property tax	\$ 221,984	-	119,842
Tax increment financing	-	-	-
Other city tax	4,468	-	2,200
Licenses and permits	18,138	-	-
Use of money and property	25,247	-	-
Intergovernmental	81,410	136,370	-
Charges for service	85,649	-	-
Special assessments	-	-	7,603
Miscellaneous	119,146	-	-
Total receipts	<u>556,042</u>	<u>136,370</u>	<u>129,645</u>
Disbursements:			
Operating:			
Public safety	231,666	-	-
Public works	68,205	150,077	-
Culture and recreation	241,882	-	-
Community and economic development	-	-	-
General government	141,186	-	-
Debt service	-	-	143,445
Total disbursements	<u>682,939</u>	<u>150,077</u>	<u>143,445</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(126,897)</u>	<u>(13,707)</u>	<u>(13,800)</u>
Other financing sources (uses):			
Operating transfers in	170,169	-	139,883
Operating transfers out	(17,500)	(18,684)	-
Total other financing sources (uses)	<u>152,669</u>	<u>(18,684)</u>	<u>139,883</u>
Net change in cash balances	25,772	(32,391)	126,083
Cash balances beginning of year	3,339	112,664	(126,083)
Cash balances end of year	<u>\$ 29,111</u>	<u>80,273</u>	<u>-</u>
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Library trust	-	-	-
Restricted for:			
Streets	-	80,273	-
Other purposes	-	-	-
Unassigned	29,111	-	-
Total cash basis fund balances	<u>\$ 29,111</u>	<u>80,273</u>	<u>-</u>

See notes to financial statements.

Other Nonmajor Governmental Funds	<u>Total</u>
64,862	406,688
81,296	81,296
82,867	89,535
-	18,138
-	25,247
-	217,780
-	85,649
-	7,603
8,037	127,183
<u>237,062</u>	<u>1,059,119</u>
34,994	266,660
18,325	236,607
18,022	259,904
3,839	3,839
29,631	170,817
-	143,445
<u>104,811</u>	<u>1,081,272</u>
<u>132,251</u>	<u>(22,153)</u>
225,549	535,601
<u>(463,417)</u>	<u>(499,601)</u>
<u>(237,868)</u>	<u>36,000</u>
(105,617)	13,847
<u>246,233</u>	<u>236,153</u>
<u>140,616</u>	<u>250,000</u>
62,763	62,763
7,865	7,865
-	80,273
462,928	462,928
<u>(392,940)</u>	<u>(363,829)</u>
<u>140,616</u>	<u>250,000</u>

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

As of and for the year ended June 30, 2011

	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Meter Deposit</u>	<u>Total</u>
Operating receipts:					
Charges for service	\$ 266,216	207,048	198,817	-	672,081
Total operating receipts	<u>266,216</u>	<u>207,048</u>	<u>198,817</u>	<u>-</u>	<u>672,081</u>
Operating disbursements:					
Business type activities	242,827	126,919	178,285	-	548,031
Total operating disbursements	<u>242,827</u>	<u>126,919</u>	<u>178,285</u>	<u>-</u>	<u>548,031</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>23,389</u>	<u>80,129</u>	<u>20,532</u>	<u>-</u>	<u>124,050</u>
Non-operating receipts (disbursements)					
Intergovernmental	325,709	-	-	-	325,709
Miscellaneous	11,952	-	353	-	12,305
Loan proceeds	382,019	-	-	-	382,019
Debt service	(71,199)	(53,540)	-	-	(124,739)
Capital projects	<u>(761,272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(761,272)</u>
Net non-operating receipts (disbursements)	<u>(112,791)</u>	<u>(53,540)</u>	<u>353</u>	<u>-</u>	<u>(165,978)</u>
Excess of receipts over disbursements	(89,402)	26,589	20,885	-	(41,928)
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(16,000)</u>	<u>-</u>	<u>(36,000)</u>
Net change in cash balances	(99,402)	16,589	4,885	-	(77,928)
Cash balances beginning of year	<u>239,056</u>	<u>155,947</u>	<u>87,677</u>	<u>6,242</u>	<u>488,922</u>
Cash balances end of year	<u>\$ 139,654</u>	<u>172,536</u>	<u>92,562</u>	<u>6,242</u>	<u>410,994</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ 26,825	4,500	-	-	31,325
Unrestricted	<u>112,829</u>	<u>168,036</u>	<u>92,562</u>	<u>6,242</u>	<u>379,669</u>
Total cash basis fund balances	<u>\$ 139,654</u>	<u>172,536</u>	<u>92,562</u>	<u>6,242</u>	<u>410,994</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

(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, 2011

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 Funds.

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, 2011

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation, and general government functions.

(2) **Cash**

The City's deposits in banks at June 30, 2011 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.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

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, 2011. During the year ended June 30, 2011, the City invested its excess funds in a savings account and certificates of deposit.

(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 Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	120,000	17,670	114,000	45,325	234,000	62,995
2013	45,000	12,230	99,000	43,050	144,000	55,280
2014	45,000	10,520	103,000	40,650	148,000	51,170
2015	50,000	8,720	106,000	38,160	156,000	46,880
2016	50,000	6,670	108,000	35,580	158,000	42,250
2017-2021	105,000	6,990	595,000	136,950	700,000	143,940
2022-2026	-	-	619,000	60,090	619,000	60,090
2022-2026	-	-	223,815	8,130	223,815	8,130
Total	\$ 415,000	62,800	1,967,815	407,935	2,382,815	470,735

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

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 \$333,110. For the current year, principal and interest paid and total customer net receipts were \$24,550 and \$23,389, respectively.

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 2011. 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, 2011 \$1,150,815 has been received by the City. Of this amount received, \$459,000 is forgivable as described in the following paragraph. For the current year, principal and interest paid was \$44,199.

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 \$743,090. For the current year, principal and interest paid and total customer net receipts were \$51,960 and \$80,129, respectively.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

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.

Capital Lease Purchase Obligations

In September 2010, the City entered into a capital lease-purchase agreement with John Deere Credit to finance the purchase of a John Deere loader. The lease is financed for five years at an interest rate of 3.75%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2011:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 19,642
2013	19,642
2014	19,642
2015	19,642
2016	19,643
Less amount representing interest	<u>(10,311)</u>
Net present value of minimum lease payments	<u>\$ 87,900</u>

Payments under the agreement totaled \$0 for the year ended June 30, 2011.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

(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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$34,538, \$39,763, and \$30,487 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 \$320 for single coverage, \$722 for 2-person coverage, member plus children and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$53,997 and plan members eligible for benefits contributed \$0 to the plan.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

(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’s approximate liability for earned vacation to employees at June 30, 2011 is \$9,500, primarily relating to the Enterprise funds.

(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, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 90,000
	Road Use	13,000
	Housing Incentive	4,642
	IJobs	5,684
	Capital Projects:	
	Downtown Project	11,325
	2 nd & Main	15,518
	Enterprise:	
	Water	10,000
	Sewer	10,000
	Garbage	<u>10,000</u>
		170,169
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	120,753

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2011

Debt Service	Special Revenue: Local Option Sales Tax	139,883
Capital Projects: Capital Equipment	General Enterprise: Garbage	17,500 <u>6,000</u> 23,500
Capital Projects: Rise Project	Special Revenue: TIF	<u>81,296</u>
Total		\$ <u>535,601</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 Special Revenue Fund, Employee Benefits had a deficit balance of \$25,478 at June 30, 2011. 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 \$367,462 at June 30, 2011. 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, 2011

(10) Construction Commitments

In 2010, the City of Laurens committed to a water plant renovation project of approximately \$1,154,000 that will be paid with state revolving loan funds. As of June 30, 2011 approximately \$1,151,000 has been expended on this project.

(11) Subsequent Events

The City has evaluated subsequent events through March 14, 2012, the date which the financial statements were available to be issued.

In January 2012, the City issued \$200,000 General Obligation Capital Loan Notes, Series 2012A for the lagoon pump upgrade.

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 406,688	-
Tax increment financing	81,296	-
Other city tax	89,535	-
Licenses and permits	18,138	-
Use of money and property	25,247	-
Intergovernmental	217,780	325,709
Charges for service	85,649	672,081
Special assessments	7,603	-
Miscellaneous	127,183	12,305
Total receipts	<u>1,059,119</u>	<u>1,010,095</u>
Disbursements:		
Public safety	266,660	-
Public works	236,607	-
Culture and recreation	259,904	-
Community and economic development	3,839	-
General government	170,817	-
Debt service	143,445	-
Business type activities	-	1,434,042
Total disbursements	<u>1,081,272</u>	<u>1,434,042</u>
Excess (deficiency) of receipts over (under) disbursements	(22,153)	(423,947)
Other financing sources, net	<u>36,000</u>	<u>346,019</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	13,847	(77,928)
Balances beginning of year	<u>236,153</u>	<u>488,922</u>
Balances end of year	<u>\$ 250,000</u>	<u>410,994</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>	
406,688	406,907	406,907	(219)
81,296	35,000	35,000	46,296
89,535	107,781	107,781	(18,246)
18,138	16,060	16,060	2,078
25,247	36,776	91,776	(66,529)
543,489	166,530	166,530	376,959
757,730	773,187	773,187	(15,457)
7,603	-	-	7,603
<u>139,488</u>	<u>24,000</u>	<u>24,000</u>	<u>115,488</u>
<u>2,069,214</u>	<u>1,566,241</u>	<u>1,621,241</u>	<u>447,973</u>
266,660	296,341	296,341	29,681
236,607	164,830	239,830	3,223
259,904	187,414	242,414	(17,490)
3,839	5,500	13,000	9,161
170,817	84,206	134,206	(36,611)
143,445	177,950	177,950	34,505
<u>1,434,042</u>	<u>650,000</u>	<u>1,450,000</u>	<u>15,958</u>
<u>2,515,314</u>	<u>1,566,241</u>	<u>2,553,741</u>	<u>38,427</u>
(446,100)	-	(932,500)	486,400
<u>382,019</u>	<u>-</u>	<u>800,000</u>	<u>(417,981)</u>
(64,081)	-	(132,500)	68,419
<u>725,075</u>	<u>859,720</u>	<u>859,720</u>	<u>(134,645)</u>
<u>660,994</u>	<u>859,720</u>	<u>727,220</u>	<u>(66,226)</u>

City of Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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, one budget amendment increased budgeted revenues by \$55,000, disbursements by \$987,500 and other financing sources by \$800,000.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation and general government 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, 2011

	Special Revenue				
	Police Special	Employee Benefits	Housing Incentive	TIF	Unemployment
Receipts:					
Property tax	\$ -	64,862	-	-	-
Tax increment financing	-	-	-	81,296	-
Other city tax	-	1,294	-	-	-
Miscellaneous	15	-	-	-	-
Total receipts	<u>15</u>	<u>66,156</u>	<u>-</u>	<u>81,296</u>	<u>-</u>
Disbursements:					
Operating:					
Public safety	-	34,994	-	-	-
Public works	-	18,325	-	-	-
Culture and recreation	-	18,022	-	-	-
Community and economic development	-	-	5	-	-
General government	-	29,631	-	-	-
Total disbursements	<u>-</u>	<u>100,972</u>	<u>5</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>15</u>	<u>(34,816)</u>	<u>(5)</u>	<u>81,296</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in	-	120,753	-	-	-
Operating transfers out	-	-	(4,642)	(81,296)	-
Total other financing sources (uses)	<u>-</u>	<u>120,753</u>	<u>(4,642)</u>	<u>(81,296)</u>	<u>-</u>
Net change in cash balances	15	85,937	(4,647)	-	-
Cash balances beginning of year	-	(111,415)	4,647	-	6,135
Cash balances end of year	<u>\$ 15</u>	<u>(25,478)</u>	<u>-</u>	<u>-</u>	<u>6,135</u>
Cash Basis Fund Balances					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	-	-
Library trust	-	-	-	-	-
Restricted for other purposes	15	-	-	-	6,135
Unassigned	-	(25,478)	-	-	-
Total cash basis fund balances	<u>\$ 15</u>	<u>(25,478)</u>	<u>-</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	Quasquicentennial	Pool Committee	
-	-	-	-	-	-
-	-	-	-	-	-
81,573	-	-	-	-	-
-	845	4,598	259	-	-
<u>81,573</u>	<u>845</u>	<u>4,598</u>	<u>259</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,834	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>3,834</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>81,573</u>	<u>845</u>	<u>764</u>	<u>259</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>(350,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(350,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(269,063)	845	764	259	-	-
<u>379,614</u>	<u>2,821</u>	<u>2,197</u>	<u>-</u>	<u>5,425</u>	<u>-</u>
<u>110,551</u>	<u>3,666</u>	<u>2,961</u>	<u>259</u>	<u>5,425</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
110,551	3,666	2,961	259	5,425	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>110,551</u>	<u>3,666</u>	<u>2,961</u>	<u>259</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, 2011

	Capital Projects			
	Downtown Project	2nd & Main	Capital Equipment	Rise Project
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	-	-	-	-
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Total disbursements	-	-	-	-
Excess (deficiency) of receipts over (under) disbursement:	-	-	-	-
Other financing sources (uses):				
Operating transfers in	-	-	23,500	81,296
Operating transfers out	(11,325)	(15,518)	-	-
Total other financing sources (uses)	(11,325)	(15,518)	23,500	81,296
Net change in cash balances	(11,325)	(15,518)	23,500	81,296
Cash balances beginning of year	11,325	15,518	310,416	(448,758)
Cash balances end of year	-	-	333,916	(367,462)
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	-	-	-	-
Library trust	-	-	-	-
Restricted for other purposes	-	-	333,916	-
Unassigned	-	-	-	(367,462)
Total cash basis fund balances	\$ -	-	333,916	(367,462)

See accompanying independent auditor's report.

Schedule 1

<u>Permanent</u>		
Cemetery		
<u>Perpetual</u>	<u>Library</u>	
<u>Care</u>	<u>Trust</u>	<u>Total</u>
-	-	64,862
-	-	81,296
-	-	82,867
<u>2,320</u>	-	<u>8,037</u>
<u>2,320</u>	-	<u>237,062</u>
-	-	34,994
-	-	18,325
-	-	18,022
-	-	3,839
-	-	<u>29,631</u>
-	-	<u>104,811</u>
<u>2,320</u>	-	<u>132,251</u>
-	-	225,549
-	-	<u>(463,417)</u>
-	-	<u>(237,868)</u>
<u>2,320</u>	-	<u>(105,617)</u>
<u>60,443</u>	<u>7,865</u>	<u>246,233</u>
<u>62,763</u>	<u>7,865</u>	<u>140,616</u>
62,763	-	62,763
-	7,865	7,865
-	-	462,928
-	-	<u>(392,940)</u>
<u>62,763</u>	<u>7,865</u>	<u>140,616</u>

City of Laurens, Iowa

Schedule of Indebtedness

Year ended June 30, 2011

<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>
160,000	-	80,000	80,000	7,920	-
<u>375,000</u>	<u>-</u>	<u>40,000</u>	<u>335,000</u>	<u>15,030</u>	<u>-</u>
<u>\$ 535,000</u>	<u>-</u>	<u>120,000</u>	<u>415,000</u>	<u>22,950</u>	<u>-</u>
632,000	-	33,000	599,000	18,960	-
285,000	-	16,000	269,000	8,550	-
459,000	-	-	459,000	-	-
<u>284,796</u>	<u>382,019</u>	<u>26,000</u>	<u>640,815</u>	<u>18,199</u>	<u>-</u>
<u>\$ 1,660,796</u>	<u>382,019</u>	<u>75,000</u>	<u>1,967,815</u>	<u>45,709</u>	<u>-</u>

Bond and Note Maturities

June 30, 2011

General Obligation Notes						
Year Ending <u>June 30,</u>	<u>Street Improvements</u>			<u>Street Improvements</u>		
	<u>Issued March 1, 2002</u>			<u>Issued August 20, 2008</u>		
	Interest		<u>Amount</u>	Interest		<u>Amount</u>
<u>Rates</u>		<u>Rates</u>				
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>\$ 80,000</u>		<u>\$ 335,000</u>		<u>415,000</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		<u>Amount</u>	Interest		<u>Amount</u>
<u>Rates</u>		<u>Rates</u>				
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>\$ 269,000</u>		<u>\$ 599,000</u>		

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2011

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			
2012	0.00 %	\$ 37,000	3.00 %	\$ 27,000		114,000	
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	35,000		124,000	
2021	0.00	24,000	3.00	36,000		126,000	
2022	0.00	25,000	3.00	37,000		130,000	
2023	0.00	26,000	3.00	38,000		135,000	
2024	0.00	27,000	3.00	39,000		139,000	
2025	0.00	28,000	3.00	41,000		144,000	
2026	0.00	29,000	3.00	42,000		71,000	
2027	0.00	30,000	3.00	43,000		73,000	
2028	0.00	31,000	3.00	45,000		76,000	
2029	0.00	32,000	3.00	42,815		74,815	
Total		<u>\$ 459,000</u>		<u>\$ 640,815</u>		<u>1,967,815</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 Nine Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:				
Property tax	\$ 406,688	378,858	390,901	369,707
Tax increment financing collections	81,296	36,522	-	-
Other city tax	89,535	111,011	75,082	91,562
Licenses and permits	18,138	16,700	20,736	21,099
Use of money and property	25,247	32,926	20,649	51,850
Intergovernmental	217,780	265,345	237,808	378,407
Charges for service	85,649	69,769	63,610	81,241
Special assessments	7,603	6,034	5,483	7,988
Miscellaneous	127,183	80,473	63,037	99,235
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,059,119</u>	<u>997,638</u>	<u>877,306</u>	<u>1,101,089</u>
Disbursements:				
Operating				
Public safety	\$ 266,660	258,637	283,976	268,583
Public works	236,607	175,369	219,462	193,569
Culture and recreation	259,904	210,061	271,845	211,256
Community and economic development	3,839	16,211	23,720	66,721
General government	170,817	179,533	184,377	257,157
Debt service	143,445	143,275	160,521	148,200
Capital projects	-	57	377,608	318,446
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,081,272</u>	<u>983,143</u>	<u>1,521,509</u>	<u>1,463,932</u>

See accompanying independent auditor's report.

Schedule 4

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
335,650	341,730	366,286	344,293	341,090
-	-	-	-	198
120,488	93,577	128,542	16,041	62,920
1,835	2,765	2,217	2,280	2,747
52,651	67,629	61,223	57,717	60,408
292,406	885,985	222,930	309,472	247,411
218,658	247,509	251,257	240,686	229,522
8,606	12,856	6,663	9,985	12,416
<u>102,338</u>	<u>52,333</u>	<u>30,872</u>	<u>27,675</u>	<u>69,969</u>
<u>1,132,632</u>	<u>1,704,384</u>	<u>1,069,990</u>	<u>1,008,149</u>	<u>1,026,681</u>
345,969	316,591	217,117	213,452	246,116
283,991	308,145	378,289	311,777	297,050
263,507	175,591	169,850	180,416	224,880
6	69	17	13	202
126,133	76,955	80,362	71,999	99,956
148,403	148,253	147,758	152,072	158,102
<u>417,102</u>	<u>734,794</u>	<u>10,780</u>	<u>29,287</u>	<u>35,442</u>
<u>1,585,111</u>	<u>1,760,398</u>	<u>1,004,173</u>	<u>959,016</u>	<u>1,061,748</u>

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

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, 2011, 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 14, 2012. Our report expressed unqualified opinions on the financial statements, except for the business type activities, which were prepared in conformity with another 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, 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 I of the accompanying Schedule of Findings as items I-A-11 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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be significant deficiencies.

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, 2011, 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. 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.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 14, 2012

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-11 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-11 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

Year ended June 30, 2011

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.

I-C-11 Authorized Signatures and Invoices for Disbursements – Out of 28 transactions tested, there was one transaction that had only one authorized signature instead of the required two signatures and for two credit card transactions there were no supporting invoices.

Recommendation – The City should make sure there are two authorized signatures on all checks and that all credit card disbursements are properly supported by invoices.

Response – We will make sure two authorized signatures are on all checks and that we receive invoices for all credit card transaction.

Conclusion – Responses accepted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the culture and recreation and general government function. Chapter 384.20 of the Code of Iowa states in part that “public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

II-B-11 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-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 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	\$ 2,053

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

Year ended June 30, 2011

II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council Minutes but were not.

Although minutes of Council proceedings were published, there were three meetings that were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish all minutes within 15 days.

Response- We will do this.

Conclusion- Response accepted.

II-G-11 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. However, the City did not have a current Depository Resolution to reflect the current depository institutions being used or for the maximum amount authorized.

Recommendation – The City should adopt a new Depository Resolution to include the current depository institutions and document the maximum amount which may be deposited.

Response – We will review and revise our Depository Resolution.

Conclusion – Response accepted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2011

II-H-11 Revenue Bonds and Notes – The City has not complied with all of the revenue bond and note provisions. The Water fund did not maintain net revenues of 110% of the amount of principal and interest on the bonds/notes falling due in 2011.

Recommendation – The City should evaluate the rates currently being charged to customers to see if increases need to be implemented in order to meet the 110% net revenue requirement.

Response – Water rates were increased in April 2011 and January 2012 and we will continue to evaluate whether additional increases are needed to be in compliance with our bond covenants.

Conclusion – Response accepted.

II-I-11 Financial Condition – There were two funds in a deficit position as of June 30, 2011.

Recommendation – The City should review these deficits.

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

Conclusion – Response accepted.