

CITY OF LAURENS, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-10
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	11-12
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	13-14
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-25
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Other Information – Budgetary Reporting		28
Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	29-30
Schedule of Indebtedness	2	31-32
Bond and Note Maturities	3	33
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	34-35

Table of Contents (continued)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	36-38
Schedule of Findings	39-42

City of Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
(Before January 2012)		
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
(After January 2012)		
Rod Johnson	Mayor	Jan 2016
Ken Kunickis	Council Member	Jan 2014
Clarence Siepker	Council Member	Jan 2014
Gary Heuton	Council Member	Jan 2016
Rich Newgard	Council Member	Jan 2016
Steve Berry	Council Member	Jan 2016
Barbara Smith	City Manager/Clerk	Jan 2013
Ann Beneke	Attorney	Jan 2013

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2012, 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 \$3,402,525, \$3,386,052 and \$5,027,956.

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, 2012, 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 February 6, 2013 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.

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 nine years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Laurens' basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 10 and 26 through 28 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not provide opinion or provide any assurance on it.

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

February 6, 2013

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 0.08% or approximately \$883, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$24,000 and Local Option Sales Tax increased approximately \$47,000. However, program receipts decreased approximately \$70,000.
- Disbursements of the City's governmental activities increased 5.5%, or approximately \$59,000, from June 30, 2011 to June 30, 2012. Public safety, Culture & Recreation, and Economic Development increased by approximately \$24,000, \$19,000, and \$16,000 respectively.
- The City's total cash basis net assets increased 9.28%, or approximately \$61,000 from June 30, 2011 through June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$52,000 and the assets of the business type activities increased approximately \$113,000.

USING THIS ANNUAL REPORT

This 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.

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

Supplementary Information provides detailed information about the non-major 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, Local Option Sales 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.

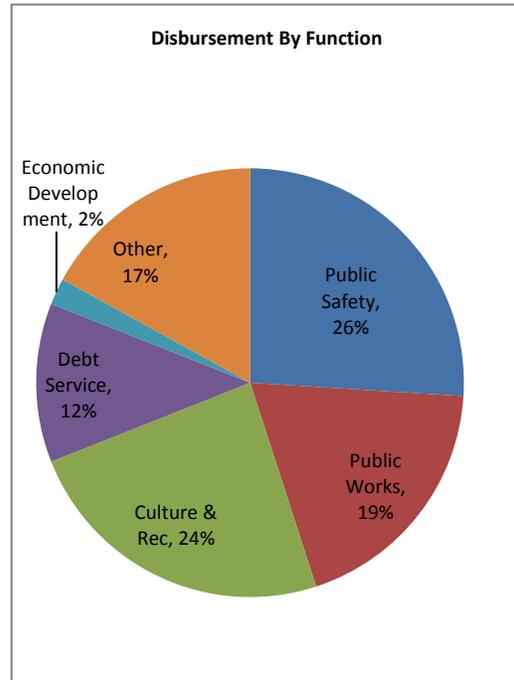
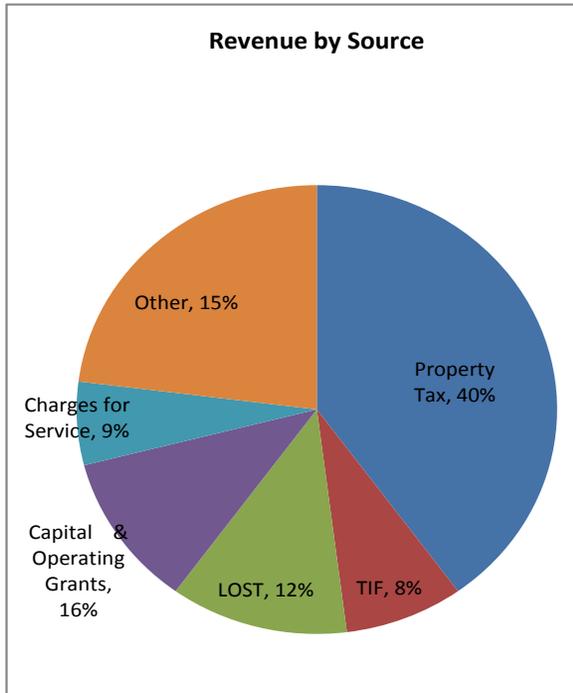
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Garbage Funds, considered to be major funds of the City.

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 decreased from \$250,000 a year ago, to \$197,941. 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,	
	2012	2011
Receipts:		
Program Receipts:		
Charges for Services:	\$ 99,562	\$ 113,519
Operating grants, contributions, restricted interest:	141,315	160,176
Capital grants, contributions, restricted interest:	36,279	73,058
General Receipts:		
Property Tax:	527,415	503,549
Local option sales tax:	128,098	81,573
Unrestricted interest on investments:	1,599	7,199
Transfers:	30,000	36,000
Other general receipts:	123,968	120,045
TOTAL RECEIPTS:	\$ 1,088,236	\$ 1,095,119
Disbursements:		
Public safety:	291,118	266,660
Public works:	218,177	236,607
Culture & recreation:	279,341	259,904
Community, Economic development:	20,338	3,839
General government:	149,222	170,817
Debt service:	138,170	143,445
Capital projects:	43,929	-
TOTAL DISBURSEMENTS:	\$ 1,140,295	\$ 1,081,272
Change in cash basis net assets:	(52,059)	13,847
Cash basis net assets beginning of year:	250,000	236,153
Cash basis net assets end of year:	\$ 197,941	\$ 250,000



The City's total receipts for governmental activities decreased by less than 1% or \$883 for the year. Although property taxes increased by 4.7%, or \$24,000, this was offset by a decrease program revenues.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$17,335 for fiscal year 2013.

The cost of all governmental activities for the year was approximately \$1.14 million compared to approximately \$1.08 million last year. However, as shown in the Statement of Activities and Net Assets on pages 11-12, the amount taxpayers ultimately financed for these activities was approximately \$860,000 because some of the cost was paid by those directly benefited from the programs (approximately \$100,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$178,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$347,000 to approximately \$277,000, principally due to receiving capital contributions in 2011 for a park project and a decrease in road use taxes from 2011.

Changes in Cash Basis Net Assets of Business Type Activities

		Year Ended	
		2012	2011
Receipts:			
Program Receipts:			
Charges for Service:			
Water:	\$ 325,637	\$	266,216
Sewer:	224,349		207,048
Garbage:	185,147		198,817
Capital grants, contributions, unrestricted interest:	-		325,709
General Receipts:			
Unrestricted interest on investments:	1,045		
Bond Proceeds:	203,185		382,019
Other general receipts:	8,611		12,305
TOTAL RECEIPTS:	\$ 947,974	\$	1,392,114
Disbursements:			
Water:	385,898		1,075,298
Sewer:	258,981		180,459
Garbage:	159,679		178,285
TOTAL DISBURSEMENTS:	\$ 804,558	\$	1,434,042
Change in cash basis net assets before transfers	143,416		(41,928)
Transfers, net	(30,000)		(36,000)
Change in cash basis net assets	113,416		(77,928)
Cash basis net assets beginning of year	410,994		488,922
Cash basis net assets end of year	\$ 524,410	\$	410,994

Total business type activities receipts for the fiscal year were approximately \$950,000 compared to \$1.39 million last year. This significant decrease was due primarily to the various capital grants that were received in FY 2011. The cash balance increased approximately \$113,000 from the prior year because user fees for water and sewer were increased, as well as part of the sewer lagoon upgrade project was paid for in FY 2013 rather than FY 2012.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Laurens completed the year, its governmental funds reported a combined fund balance of \$197,941, a decrease of approximately \$52,000 less than last year. 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 \$109,055 from the prior year to \$138,166. This increase was primarily due to transfers in from other funds.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$36,018 to \$44,255. This decrease was primarily due to a decrease in the Road Use Tax revenue.
- The Special Revenue Local Option Sales Tax Fund cash balance decreased \$49,436 to \$61,115. This decrease was primarily due to transfers out to other funds.
- The Debt Service Fund cash balance increased \$2,041 to \$2,041. This increase was primarily due to a decrease in debt payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$53,426 to \$86,228, this decrease was primarily due to grant and loan proceeds received in the prior year offset by an increase in water rates.
- The Enterprise, Sewer Fund cash balance increased \$155,709 to \$328,245, due to rate increases and General obligation bonds sold to fund a sewer lagoon upgrade. The bonds were sold in fiscal year 2012, but a major portion of the project will not be paid until fiscal year 2013.
- The Enterprise, Garbage Fund cash balance increased \$17,375 to \$109,937. The increase was primarily due to a decrease in transfers out to the General Fund and a decrease in disbursements that was greater than the decrease in revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 30, 2012 and resulted in an increase in budgeted revenues by \$244,800, budgeted disbursements by \$484,306 and other financing sources by \$200,000. The increase in revenues was due to the increase in charges for services in water and sewer and the increase in other financing sources was due to the bond sale proceeds. The increase in disbursements was due to the lagoon upgrade project that had not been previously budget as well as increasing the water reserves for various upkeep on the water plant that was recently renovated. Disbursements also increased due to the increase in fuel prices for the City vehicles as well as the new patrol car.

With the budget amendment, total disbursements were \$164,608 less than the amended budget. However, actual disbursements for Culture and Recreation and Community and Economic Development exceeded the amounts budgeted. This was primarily due to the Pocket Park project and the physician recruitment and dues paid to Pocahontas County Economic Development Commission.

DEBT ADMINISTRATION

As of June 30, 2012, the City had \$1,930,000 in bonds and other long-term debt outstanding, compared to \$2,382,815 last year, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General Obligation Bonds:	\$ 495,000	\$ 415,000
Revenue notes:	<u>1,435,000</u>	<u>1,967,815</u>
TOTAL:	<u>\$1,930,000</u>	<u>\$2,382,815</u>

General obligation bond debt increased due to the lagoon upgrade bond issuance and the revenue bonds debt decreased due to a forgivable portion of the note for the water plant renovation.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assess value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$495,000 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 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the county now stands at a 3.9% versus 4.6% a year ago. Unemployment in the state of Iowa stands at 5.1% with a national rate of 7.7%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$850,000. The City will continue to monitor water, sewer, and garbage rates and raise them as needed to pay debt and plan future improvements. Budgeted disbursements are expected to increase due to the East and Veteran’s Road Project that is scheduled to be completed in fiscal year 2013. The City has sold \$1.08 million in general obligation bonds, \$955,000 revenue bonds, and has received a federal grant of \$500,000 for this project.

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 St., 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, 2012

	<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	\$ 291,118	57,930	3,945	-
Public works	218,177	-	119,323	-
Culture and recreation	279,341	22,538	15,755	36,279
Community and economic development	20,338	-	-	-
General government	149,222	19,094	2,292	-
Capital projects	43,929	-	-	-
Debt service	138,170	-	-	-
Total governmental activities	<u>1,140,295</u>	<u>99,562</u>	<u>141,315</u>	<u>36,279</u>
Business type activities:				
Water	385,898	325,637	-	-
Sewer	258,981	224,349	-	-
Garbage	159,679	185,147	-	-
Total business type activities	<u>804,558</u>	<u>735,133</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,944,853</u>	<u>834,695</u>	<u>141,315</u>	<u>36,279</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
Capital projects
Other purposes
Unrestricted
Total cash basis net assets

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(229,243)	-	(229,243)
(98,854)	-	(98,854)
(204,769)	-	(204,769)
(20,338)	-	(20,338)
(127,836)	-	(127,836)
(43,929)	-	(43,929)
(138,170)	-	(138,170)
<u>(863,139)</u>	<u>-</u>	<u>(863,139)</u>
-	(60,261)	(60,261)
-	(34,632)	(34,632)
-	25,468	25,468
-	<u>(69,425)</u>	<u>(69,425)</u>
<u>(863,139)</u>	<u>(69,425)</u>	<u>(932,564)</u>
321,460	-	321,460
121,011	-	121,011
84,944	-	84,944
128,098	-	128,098
1,599	1,045	2,644
123,968	8,611	132,579
-	203,185	203,185
30,000	<u>(30,000)</u>	<u>-</u>
<u>811,080</u>	<u>182,841</u>	<u>993,921</u>
(52,059)	113,416	61,357
250,000	410,994	660,994
<u>\$ 197,941</u>	<u>524,410</u>	<u>722,351</u>
\$ 63,723	-	63,723
7,865	-	7,865
44,255	-	44,255
2,041	15,665	17,706
-	84,545	84,545
314,660	-	314,660
(234,603)	424,200	189,597
<u>\$ 197,941</u>	<u>524,410</u>	<u>722,351</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, 2012

	Special Revenue		
	General	Road Use	Local Option Sales Tax
Receipts:			
Property tax	\$ 232,503	-	-
Tax increment financing	-	-	-
Other city tax	21,281	-	128,098
Licenses and permits	2,930	-	-
Use of money and property	19,094	-	-
Intergovernmental	84,771	119,323	-
Charges for service	62,622	-	-
Special assessments	-	-	-
Miscellaneous	84,828	-	-
Total receipts	508,029	119,323	128,098
Disbursements:			
Operating:			
Public safety	256,513	-	-
Public works	43,662	155,341	-
Culture and recreation	254,415	-	-
Community and economic development	18,629	-	-
General government	125,139	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	698,358	155,341	-
Excess (deficiency) of receipts over (under) disbursements	(190,329)	(36,018)	128,098
Other financing sources (uses):			
Operating transfers in	299,384	-	-
Operating transfers out	-	-	(177,534)
Total other financing sources (uses)	299,384	-	(177,534)
Net change in cash balances	109,055	(36,018)	(49,436)
Cash balances beginning of year	29,111	80,273	110,551
Cash balances end of year	\$ 138,166	44,255	61,115
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ -	-	-
Library trust	-	-	-
Restricted for:			
Streets	-	44,255	-
Debt service	-	-	-
Other purposes	46,322	-	61,115
Unassigned	91,844	-	-
Total cash basis fund balances	\$ 138,166	44,255	61,115

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
109,472	82,032	424,007
-	84,944	84,944
2,189	1,808	153,376
-	-	2,930
-	2,292	21,386
-	-	204,094
-	-	62,622
9,350	-	9,350
-	10,699	95,527
<u>121,011</u>	<u>181,775</u>	<u>1,058,236</u>
-	34,605	291,118
-	19,174	218,177
-	24,926	279,341
-	1,709	20,338
-	24,083	149,222
138,170	-	138,170
-	43,929	43,929
<u>138,170</u>	<u>148,426</u>	<u>1,140,295</u>
<u>(17,159)</u>	<u>33,349</u>	<u>(82,059)</u>
19,200	131,079	449,663
-	(242,129)	(419,663)
<u>19,200</u>	<u>(111,050)</u>	<u>30,000</u>
2,041	(77,701)	(52,059)
-	30,065	250,000
<u>2,041</u>	<u>(47,636)</u>	<u>197,941</u>
-	63,723	63,723
-	7,865	7,865
-	-	44,255
2,041	-	2,041
-	207,223	314,660
-	(326,447)	(234,603)
<u>2,041</u>	<u>(47,636)</u>	<u>197,941</u>

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

As of and for the year ended June 30, 2012

	Enterprise Funds				Total
	Water	Sewer	Garbage	Nonmajor Meter Deposit	
Operating receipts:					
Charges for service	\$ 325,637	224,349	185,147	-	735,133
Total operating receipts	<u>325,637</u>	<u>224,349</u>	<u>185,147</u>	<u>-</u>	<u>735,133</u>
Operating disbursements:					
Business type activities	236,028	116,969	159,679	6,242	518,918
Total operating disbursements	<u>236,028</u>	<u>116,969</u>	<u>159,679</u>	<u>6,242</u>	<u>518,918</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>89,609</u>	<u>107,380</u>	<u>25,468</u>	<u>(6,242)</u>	<u>216,215</u>
Non-operating receipts (disbursements)					
Interest on investments	341	341	363	-	1,045
Miscellaneous	7,067	-	1,544	-	8,611
Loan proceeds	3,185	200,000	-	-	203,185
Debt service	(72,637)	(53,468)	-	-	(126,105)
Capital projects	(70,991)	(88,544)	-	-	(159,535)
Net non-operating receipts (disbursements)	<u>(133,035)</u>	<u>58,329</u>	<u>1,907</u>	<u>-</u>	<u>(72,799)</u>
Excess (deficiency) of receipts over (under) disbursements	(43,426)	165,709	27,375	(6,242)	143,416
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(30,000)</u>
Net change in cash balances	(53,426)	155,709	17,375	(6,242)	113,416
Cash balances beginning of year	<u>139,654</u>	<u>172,536</u>	<u>92,562</u>	<u>6,242</u>	<u>410,994</u>
Cash balances end of year	<u>\$ 86,228</u>	<u>328,245</u>	<u>109,937</u>	<u>-</u>	<u>524,410</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ 11,165	4,500	-	-	15,665
Restricted for capital projects	27,591	27,591	29,363	-	84,545
Unrestricted	47,472	296,154	80,574	-	424,200
Total cash basis fund balances	<u>\$ 86,228</u>	<u>328,245</u>	<u>109,937</u>	<u>-</u>	<u>524,410</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(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, Pocahontas County Solid Waste Commission, Pocahontas County Economic Development Commission, Pocahontas County Emergency Management Commission and Pocahontas County E911 Board.

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, 2012

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, 2012

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 Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for property tax relief and any lawful purpose.

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.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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.

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, 2012 disbursements exceeded the amounts budgeted in the culture and recreation and community and economic development functions.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(2) Cash

The City's deposits in banks at June 30, 2012 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, 2012. During the year ended June 30, 2012, 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
2013	\$ 95,000	15,435	80,000	43,050	175,000	58,485
2014	95,000	12,545	83,000	40,650	178,000	53,195
2015	100,000	10,170	86,000	38,160	186,000	48,330
2016	100,000	7,445	87,000	35,580	187,000	43,025
2017	50,000	4,570	89,000	32,970	139,000	37,540
2018-2022	55,000	2,420	497,000	122,520	552,000	124,940
2023-2027	-	-	422,000	45,570	422,000	45,570
2028-2029	-	-	91,000	4,110	91,000	4,110
Total	\$ 495,000	52,585	1,435,000	362,610	1,930,000	415,195

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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 \$309,040. For the current year, principal and interest paid and total customer net receipts were \$24,070 and \$89,609, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements to repay \$695,000, the non-forgivable portion of the \$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, 2012 \$1,154,000 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 \$46,285.

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. The loan has been forgiven as of June 30, 2012.

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 \$691,120. For the current year, principal and interest paid and total customer net receipts were \$51,970 and \$107,380, respectively.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	19,642
2014	19,642
2015	19,642
2016	19,642
Less amount representing interest	<u>(6,957)</u>
Net present value of minimum lease payments	\$ <u>71,611</u>

Payments under the agreement totaled \$19,642 for the year ended June 30, 2012.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$36,274 \$34,538, and \$39,763 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 benefits are provided through a fully-insured plan with Wellmark and dental benefits are provided through a fully-insured plan with Delta Dental. 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 \$298 for single coverage, \$672 for 2-person coverage, member plus children and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$50,999 and plan members eligible for benefits contributed \$8,310 to the plan.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(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, 2012 is \$9,200, 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, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 118,334
	Quasquicentennial	365
	Capital Projects:	
	Capital Equipment	150,685
	Enterprise:	
	Water	10,000
	Sewer	10,000
	Garbage	<u>10,000</u>
		299,384
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	40,000
	Unemployment	<u>6,135</u>
		46,135
Debt Service	Special Revenue:	
	Local Option Sales Tax	19,200

City of Laurens, Iowa
Notes to Financial Statements
June 30, 2012

Capital Projects:	Special Revenue:	
Rise Project	TIF	<u>84,944</u>
Total		\$ <u>449,663</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 Capital Projects Fund, RISE Project had a deficit balance of \$282,518 at June 30, 2012. 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.

The Capital Projects Fund, East St. and Veteran's Drive had a deficit balance of \$43,929 at June 30, 2012. This deficit balance is a result of engineering fees incurred prior to receipt of funds being used to finance the project. This deficit will be eliminated upon the receipt of CDBG grant funds and SRF Loans in fiscal year 2013.

(10) Construction Commitments

In 2011, the City of Laurens committed to a Lift Station Improvement project of approximately \$187,000 that will be paid with a GO Capital Loan Note. As of June 30, 2012 approximately \$43,200 has been expended on this project.

(11) Subsequent Events

The City has evaluated subsequent events through February 6, 2013, the date which the financial statements were available to be issued.

In August 2012, the City entered into a contract for the construction of roadway, water, sewer, storm sewer, grading and pavement improvements along East Street and Veterans Road. The project cost is estimated at approximately \$2.5 million. The project will be funded by GO bonds, Water and Sewer SRF Loans, and a CDBG grant. As of the date of the audit report, the City has issued \$438,000 Sewer Revenue Capital Loan Notes, \$517,000 Water Capital Loan Notes and \$1,080,000 General Obligation Capital Loan Notes.

In December 2012, the City authorized an \$84,000 loan agreement to fund a new garbage truck. The loan will be repaid using garbage fund revenues.

Other 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

Other Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 424,007	-
Tax increment financing	84,944	-
Other city tax	153,376	-
Licenses and permits	2,930	-
Use of money and property	21,386	1,045
Intergovernmental	204,094	-
Charges for service	62,622	735,133
Special assessments	9,350	-
Miscellaneous	95,527	8,611
Total receipts	<u>1,058,236</u>	<u>744,789</u>
Disbursements:		
Public safety	291,118	-
Public works	218,177	-
Culture and recreation	279,341	-
Community and economic development	20,338	-
General government	149,222	-
Debt service	138,170	-
Capital projects	43,929	-
Business type activities	-	804,558
Total disbursements	<u>1,140,295</u>	<u>804,558</u>
Excess (deficiency) of receipts over (under) disbursements	(82,059)	(59,769)
Other financing sources, net	<u>30,000</u>	<u>173,185</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(52,059)	113,416
Balances beginning of year	<u>250,000</u>	<u>410,994</u>
Balances end of year	<u>\$ 197,941</u>	<u>524,410</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>	
424,007	421,585	421,585	2,422
84,944	35,000	75,000	9,944
153,376	107,663	107,663	45,713
2,930	3,060	3,860	(930)
22,431	79,400	79,400	(56,969)
204,094	201,252	201,252	2,842
797,755	745,000	922,000	(124,245)
9,350	-	-	9,350
104,138	67,061	94,061	10,077
<u>1,803,025</u>	<u>1,660,021</u>	<u>1,904,821</u>	<u>(101,796)</u>
291,118	279,809	307,544	16,426
218,177	166,874	221,484	3,307
279,341	185,407	250,407	(28,934)
20,338	15,750	17,550	(2,788)
149,222	148,145	163,645	14,423
138,170	138,170	138,170	-
43,929	35,000	133,000	89,071
804,558	656,000	877,661	73,103
<u>1,944,853</u>	<u>1,625,155</u>	<u>2,109,461</u>	<u>164,608</u>
(141,828)	34,866	(204,640)	62,812
<u>203,185</u>	<u>-</u>	<u>200,000</u>	<u>3,185</u>
61,357	34,866	(4,640)	65,997
<u>660,994</u>	<u>779,937</u>	<u>779,937</u>	<u>(118,943)</u>
<u>722,351</u>	<u>814,803</u>	<u>775,297</u>	<u>(52,946)</u>

City of Laurens, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented 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 244,800, disbursements by 484,306 and other financing sources by \$200,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation and community and economic development functions.

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, 2012

	Special Revenue					
	Police Special	Employee Benefits	TIF	Unemployment	Cemetery Road Paving	Sister City
Receipts:						
Property tax	\$ -	82,032	-	-	-	-
Tax increment financing	-	-	84,944	-	-	-
Other city tax	-	1,808	-	-	-	-
Use of money and property	-	-	-	-	-	-
Miscellaneous	4,125	-	-	-	830	2,533
Total receipts	<u>4,125</u>	<u>83,840</u>	<u>84,944</u>	<u>-</u>	<u>830</u>	<u>2,533</u>
Disbursements:						
Operating:						
Public safety	-	34,605	-	-	-	-
Public works	-	19,174	-	-	-	-
Culture and recreation	-	24,076	-	-	850	-
Community and economic development	-	-	-	-	-	1,709
General government	-	24,083	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>101,938</u>	<u>-</u>	<u>-</u>	<u>850</u>	<u>1,709</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4,125</u>	<u>(18,098)</u>	<u>84,944</u>	<u>-</u>	<u>(20)</u>	<u>824</u>
Other financing sources (uses):						
Operating transfers in	-	46,135	-	-	-	-
Operating transfers out	-	-	(84,944)	(6,135)	-	-
Total other financing sources (uses)	<u>-</u>	<u>46,135</u>	<u>(84,944)</u>	<u>(6,135)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	4,125	28,037	-	(6,135)	(20)	824
Cash balances beginning of year	15	(25,478)	-	6,135	3,666	2,961
Cash balances end of year	<u>\$ 4,140</u>	<u>2,559</u>	<u>-</u>	<u>-</u>	<u>3,646</u>	<u>3,785</u>
Cash Basis Fund Balances						
Nonspendable:						
Cemetery perpetual care	\$ -	-	-	-	-	-
Library trust	-	-	-	-	-	-
Restricted for other purposes	4,140	2,559	-	-	3,646	3,785
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	<u>\$ 4,140</u>	<u>2,559</u>	<u>-</u>	<u>-</u>	<u>3,646</u>	<u>3,785</u>

See accompanying independent auditor's report.

Schedule 1

Special Revenue		Capital Projects			Permanent		Total
Quasqui-centennial	Pool Committee	Capital Equipment	East St. and Veteran's Drive	Rise Project	Cemetery Perpetual Care	Library Trust	
-	-	-	-	-	-	-	82,032
-	-	-	-	-	-	-	84,944
-	-	-	-	-	-	-	1,808
-	-	2,292	-	-	-	-	2,292
106	2,145	-	-	-	960	-	10,699
106	2,145	2,292	-	-	960	-	181,775
-	-	-	-	-	-	-	34,605
-	-	-	-	-	-	-	19,174
-	-	-	-	-	-	-	24,926
-	-	-	-	-	-	-	1,709
-	-	-	-	-	-	-	24,083
-	-	-	43,929	-	-	-	43,929
-	-	-	43,929	-	-	-	148,426
106	2,145	2,292	(43,929)	-	960	-	33,349
-	-	-	-	84,944	-	-	131,079
(365)	-	(150,685)	-	-	-	-	(242,129)
(365)	-	(150,685)	-	84,944	-	-	(111,050)
(259)	2,145	(148,393)	(43,929)	84,944	960	-	(77,701)
259	5,425	333,916	-	(367,462)	62,763	7,865	30,065
-	7,570	185,523	(43,929)	(282,518)	63,723	7,865	(47,636)
-	-	-	-	-	63,723	-	63,723
-	-	-	-	-	-	7,865	7,865
-	7,570	185,523	-	-	-	-	207,223
-	-	-	(43,929)	(282,518)	-	-	(326,447)
-	7,570	185,523	(43,929)	(282,518)	63,723	7,865	(47,636)

City of Laurens, Iowa
Schedule of Indebtedness
Year ended June 30, 2012

<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
Sewer Lagoon	Feb 24, 2012	1.00-1.55%	200,000
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>
80,000	-	80,000	-	4,000	-
335,000	-	40,000	295,000	13,670	-
-	200,000	-	200,000	15,030	-
<u>\$ 415,000</u>	<u>200,000</u>	<u>120,000</u>	<u>495,000</u>	<u>32,700</u>	<u>-</u>
599,000	-	34,000	565,000	17,970	-
269,000	-	16,000	253,000	8,070	-
459,000	-	459,000	-	-	-
640,815	3,185	27,000	617,000	19,285	-
<u>\$ 1,967,815</u>	<u>3,185</u>	<u>536,000</u>	<u>1,435,000</u>	<u>45,325</u>	<u>-</u>

Bond and Note Maturities

June 30, 2012

General Obligation Notes							
Year Ending June 30,	Street Improvements Issued August 20, 2008		Sewer Lagoon Issued February 24, 2012		Total		
	Interest		Interest				
	Rates	Amount	Rates	Amount			
2013	3.80 %	\$ 45,000	1.00 %	\$ 50,000	95,000		
2014	4.00	45,000	1.15	50,000	95,000		
2015	4.10	50,000	1.35	50,000	100,000		
2016	4.20	50,000	1.55	50,000	100,000		
2017	4.30	50,000	-	-	50,000		
2018	4.40	55,000	-	-	55,000		
Total		<u>\$ 295,000</u>		<u>\$ 200,000</u>	<u>495,000</u>		

Revenue Bonds							
Year Ending June 30,	Water Issued May 23, 2005		Water -Non-forgivable Issued December 16, 2009		Sewer Issued September 9, 2005		Total
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2013	3.00 %	\$ 16,000	3.00 %	\$ 28,000	3.00 %	\$ 36,000	80,000
2014	3.00	17,000	3.00	29,000	3.00	37,000	83,000
2015	3.00	18,000	3.00	30,000	3.00	38,000	86,000
2016	3.00	18,000	3.00	30,000	3.00	39,000	87,000
2017	3.00	18,000	3.00	31,000	3.00	40,000	89,000
2018	3.00	19,000	3.00	33,000	3.00	42,000	94,000
2019	3.00	19,000	3.00	34,000	3.00	43,000	96,000
2020	3.00	20,000	3.00	35,000	3.00	45,000	100,000
2021	3.00	20,000	3.00	36,000	3.00	46,000	102,000
2022	3.00	21,000	3.00	37,000	3.00	47,000	105,000
2023	3.00	22,000	3.00	38,000	3.00	49,000	109,000
2024	3.00	22,000	3.00	39,000	3.00	51,000	112,000
2025	3.00	23,000	3.00	41,000	3.00	52,000	116,000
2026	-	-	3.00	42,000	-	-	42,000
2027	-	-	3.00	43,000	-	-	43,000
2028	-	-	3.00	45,000	-	-	45,000
2029	-	-	3.00	46,000	-	-	46,000
Total		<u>\$ 253,000</u>		<u>\$ 617,000</u>		<u>\$ 565,000</u>	<u>1,435,000</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 Ten Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:				
Property tax	\$ 424,007	406,688	378,858	390,901
Tax increment financing collections	84,944	81,296	36,522	-
Other city tax	153,376	89,535	111,011	75,082
Licenses and permits	2,930	18,138	16,700	20,736
Use of money and property	21,386	25,247	32,926	20,649
Intergovernmental	204,094	217,780	265,345	237,808
Charges for service	62,622	85,649	69,769	63,610
Special assessments	9,350	7,603	6,034	5,483
Miscellaneous	95,527	127,183	80,473	63,037
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,058,236</u>	<u>1,059,119</u>	<u>997,638</u>	<u>877,306</u>
Disbursements:				
Operating				
Public safety	\$ 291,118	266,660	258,637	283,976
Public works	218,177	236,607	175,369	219,462
Culture and recreation	279,341	259,904	210,061	271,845
Community and economic development	20,338	3,839	16,211	23,720
General government	149,222	170,817	179,533	184,377
Debt service	138,170	143,445	143,275	160,521
Capital projects	43,929	-	57	377,608
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,140,295</u>	<u>1,081,272</u>	<u>983,143</u>	<u>1,521,509</u>

See accompanying independent auditor's report.

Schedule 4

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
369,707	335,650	341,730	366,286	344,293	341,090
-	-	-	-	-	198
91,562	120,488	93,577	128,542	16,041	62,920
21,099	1,835	2,765	2,217	2,280	2,747
51,850	52,651	67,629	61,223	57,717	60,408
378,407	292,406	885,985	222,930	309,472	247,411
81,241	218,658	247,509	251,257	240,686	229,522
7,988	8,606	12,856	6,663	9,985	12,416
99,235	102,338	52,333	30,872	27,675	69,969
<u>1,101,089</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>
268,583	345,969	316,591	217,117	213,452	246,116
193,569	283,991	308,145	378,289	311,777	297,050
211,256	263,507	175,591	169,850	180,416	224,880
66,721	6	69	17	13	202
257,157	126,133	76,955	80,362	71,999	99,956
148,200	148,403	148,253	147,758	152,072	158,102
318,446	417,102	734,794	10,780	29,287	35,442
<u>1,463,932</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>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2012, which collectively comprise the primary government's basic financial statements as listed in the table of contents and have issued our report thereon dated February 6, 2013. 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

The management of the City of Laurens is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting as items I-A-12 and I-B-12. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2012, 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

February 6, 2013

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-12 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.

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.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

I-B-12 Utility Billing – During the audit, we identified one billing category that did not get updated correctly when the billing rates changed on January 15, 2012. A correction to this category was subsequently input into the billing system by the City so that the proper rate will be used going forward.

Recommendation – The City should implement procedures to ensure that rates being used to calculate all of the categories in the utility billing system are the rates that have been approved by ordinance and are updated correctly to correspond to the effective date of the ordinance.

Response – We will revise our procedures to ensure all categories are updated correctly in the future.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the culture and recreation and community and economic development functions. 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.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

II-B-12 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-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 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	\$ 619

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.

II-E-12 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-12 Council Minutes – No transactions were found that we believe should have been approved in the Council Minutes but were not.

II-G-12 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’s current Depository Resolution did not reflect one of the current depository institutions being used or for the maximum amount authorized for that institution.

Recommendation – The City should update the Depository Resolution to include the missing depository institution and document the maximum amount which may be deposited.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

Response – We will revise our Depository Resolution to include all depository institutions being used by the City.

Conclusion – Response accepted.

II-H-12 Revenue Bonds and Notes – The City has complied with all of the revenue bond and note provisions.

II-I-12 Financial Condition – There were two funds in a deficit position as of June 30, 2012.

Recommendation – The City should review these deficits.

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

Conclusion – Response accepted.