

**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, 2013**

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**City of Laurens, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
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 2014
Ann Beneke	Attorney	Jan 2014

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

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's primary government basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for Adverse Opinion on Business-Type Activities

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 position of the business type activities would have increased by \$3,932,460, \$3,401,803 and \$5,517,116.

#### Adverse Opinion on Business-Type Activities

In our opinion, because of the significance of the matter described in "Basis for Adverse Opinion on Business-Type Activities", the financial statements referred to above do not present fairly, the cash basis financial position of the business type activities.

#### Unmodified Opinions

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, 2013, 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.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements, except for our opinions on the business type activities which were adverse due to the omission of the City's component units, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 11 and 28 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2014 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Laurens' internal control over financial reporting and compliance.

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

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

January 20, 2014

## 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 106.5% or approximately \$1,160,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$17,000 and Local Option Sales Tax decreased approximately \$21,000. However, program receipts increased approximately \$7,000.
- Disbursements of the City's governmental activities decreased 6%, or approximately \$68,000, from June 30, 2012 to June 30, 2013. Public safety, Culture & Recreation, and Economic Development increased by approximately \$17,000, \$10,000, and \$6,500 respectively. Capital projects increased by approximately 115,000.
- The City's total cash basis net assets increased 160%, or approximately \$1,156,000 from June 30, 2012 through June 30, 2013. Of this amount, the assets of the governmental activities increased approximately \$1,176,000 and the assets of the business type activities decreased approximately \$20,000.

### **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.

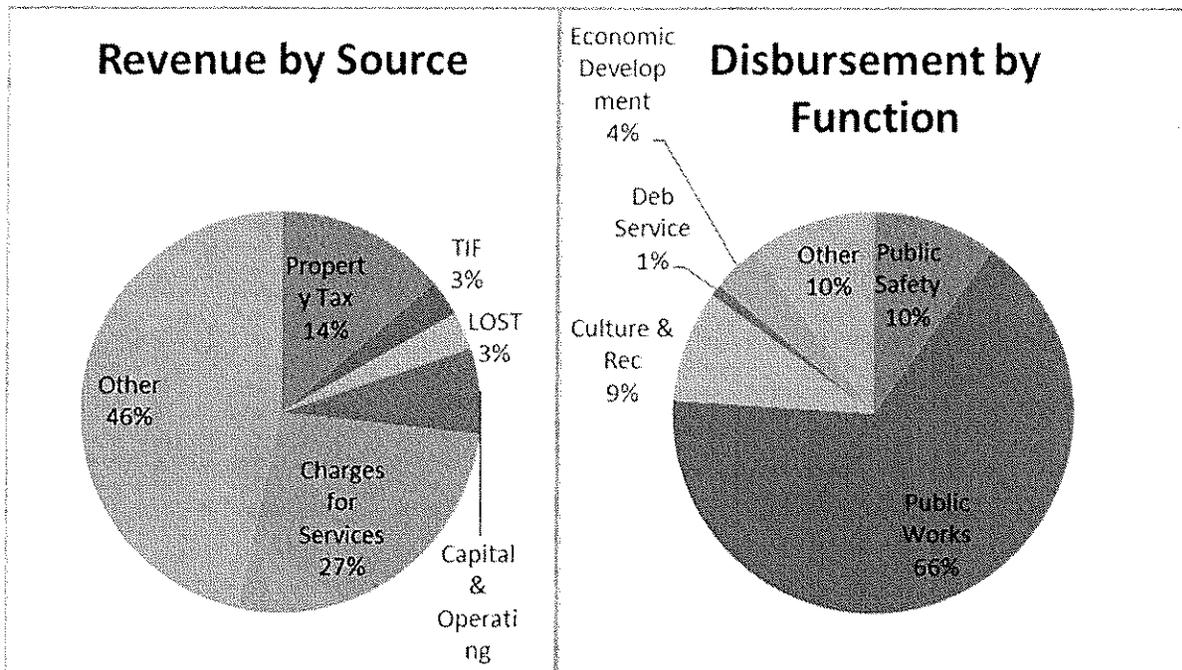
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Garbage Funds, considered to be major funds of the City.

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 increased from \$197,974 a year ago, to \$1,373,939. 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,	
		2013	2012
<b>Receipts:</b>			
Program Receipts:			
Charges for Services:	\$	106,222	\$ 99,562
Operating grants, contributions, restricted interest:		139,373	141,315
Capital grants, contributions, restricted interest:		26,207	36,279
General Receipts:			
Property Tax:		544,458	527,415
Local option sales tax:		107,650	128,098
Unrestricted interest on investments:		3,297	1,599
Transfers:		85,539	30,000
Bond proceeds:		1,072,170	-
Other general receipts:		162,983	123,968
<b>TOTAL RECEIPTS:</b>	<b>\$</b>	<b>2,247,899</b>	<b>\$ 1,088,236</b>
<b>Disbursements:</b>			
Public safety:		273,814	291,118
Public works:		138,315	218,177
Culture & recreation:		259,378	279,341
Community, Economic development:		13,834	20,338
General government:		113,279	149,222
Debt service:		114,264	138,170
Capital projects:		159,047	43,929
<b>TOTAL DISBURSEMENTS:</b>	<b>\$</b>	<b>1,071,931</b>	<b>\$ 1,140,295</b>
Change in cash basis net assets:		1,175,968	(52,059)
Cash basis net assets beginning of year:		197,941	250,000
Cash basis net assets end of year:	<b>\$</b>	<b>1,373,909</b>	<b>\$ 197,941</b>



The City's total receipts for governmental activities increased 106.5% or approximately \$1,160,000 for the year. This was mainly due to the sale of the general obligation bond sold for the storm water and street construction on the East and Veteran's Road project.

Based on increases in the total assessed valuation and the additional debt service to pay for the general obligation bond, property tax receipts are budgeted to increase an additional \$64,500 for fiscal year 2014.

The cost of all governmental activities for the year was approximately \$1.07 million compared to approximately \$1.14 million last year. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$277,000 to \$271,800 due to lower reimbursement rates from LMPC and EMC insurance.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended	
	2013	2012
<b>Receipts:</b>		
Program Receipts:		
Charges for Service:		
Water:	\$ 470,417	\$ 325,637
Sewer:	270,480	224,349
Garbage:	225,235	185,147
Capital grants, contributions, unrestricted interest:	248,096	-
General Receipts:		
Unrestricted interest on investments:	760	1,045
Bond Proceeds:	546,539	203,185
Other general receipts:	-	8,611
<b>TOTAL RECEIPTS:</b>	<b>\$ 1,761,527</b>	<b>\$ 947,974</b>
<b>Disbursements:</b>		
Water:	889,240	385,898
Sewer:	464,266	258,981
Garbage:	342,690	159,679
<b>TOTAL DISBURSEMENTS:</b>	<b>\$ 1,696,196</b>	<b>\$ 804,558</b>
Change in cash basis net assets before transfers	65,331	143,416
Transfers, net	(85,539)	(30,000)
Change in cash basis net assets	(20,208)	113,416
Cash basis net assets beginning of year	524,410	410,994
Cash basis net assets end of year	<b>\$ 504,202</b>	<b>\$ 524,410</b>

Total business type activities receipts for the fiscal year were approximately \$1.7 million compared to \$950,000 thousand last year. This significant increase was due primarily to the various capital grants and bond proceeds that were received in FY 2013. Cash disbursements increased from \$800,000 to \$1.6 million due to capital improvements paid for during FY 2013.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Laurens completed the year, its governmental funds reported a combined fund balance of \$1,373,939, an increase of approximately \$1.175 million more 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 decreased \$14,082 from the prior year to \$124,084. This balance was relatively stable for the year.

- The Capital Projects, East St. and Veterans Drive Fund cash balance increased \$1,054,790 to \$1,010,861 primarily due to receipt of bond proceeds.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$134,676 to \$220,904. This increase was primarily due to an increase in water rates.
- The Enterprise, Sewer Fund cash balance decreased \$111,693 to \$216,552, due to payments made on a sewer lagoon upgrade project. The bonds were sold in fiscal year 2012, but a major portion of the project was not paid until fiscal year 2013.
- The Enterprise, Garbage Fund cash balance decreased \$43,191 to \$66,746. The decrease was primarily due to purchase of a garbage truck.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget twice. The amendments resulted in an increase in budgeted revenues by \$96,258, budgeted disbursements by \$892,920 and other financing sources by \$2,611,170. 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 budgeted as well as beginning the East St. and Veteran's Road Project that had not been budgeted for FY 13.

With the budget amendment, total disbursements were \$1,636,760 less than the amended budget. However, actual disbursements for Culture and Recreation, Community and Economic Development, and business type activities exceeded the amounts budgeted. This was primarily due to the Pocket Park project and the Sister City Commission projects that were not budgeted for; and the lagoon upgrade completion.

## DEBT ADMINISTRATION

As of June 30, 2013, the City had \$2,871,196 in bonds and other long-term debt outstanding, compared to \$1,930,000 last year, as shown below:

	Outstanding Debt at Year-End	
	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
General Obligation Bonds:	\$ 1,440,000	\$ 495,000
Revenue notes:	1,431,196	1,435,000
TOTAL:	<u>\$2,871,196</u>	<u>\$1,930,000</u>

General obligation bond debt increased due to the East St & Veterans Road bond issuance.

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 \$1,440,000 is 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 2014 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 3.5% versus 4.1% a year ago. Unemployment in the state of Iowa stands at 4.2% with a national rate of 6.7%.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$2,394,964. 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 2014. 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 3<sup>rd</sup> St., Laurens, Iowa 50554.

## **Basic Financial Statements**

City of Laurens, Iowa  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2013

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 273,814	69,086	3,900	-
Public works	138,315	12,870	120,474	-
Culture and recreation	259,378	17,808	14,999	26,207
Community and economic development	13,834	-	-	-
General government	113,279	6,458	-	-
Capital projects	114,264	-	-	-
Debt service	159,047	-	-	-
Total governmental activities	1,071,931	106,222	139,373	26,207
Business type activities:				
Water	889,240	470,417	-	248,096
Sewer	464,266	270,480	-	-
Garbage	342,690	225,235	-	-
Total business type activities	1,696,196	966,132	-	248,096
Total	\$ 2,768,127	1,072,354	139,373	274,303

**General Receipts and Transfers:**

Property and other city 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 and transfers	
Change in cash basis net position	
Cash basis net position beginning of year	
Cash basis net position end of year	

**Cash Basis Net Position**

Restricted:	
Nonexpendable:	
Cemetery perpetual care	
Library trust	
Expendable:	
Streets	
Debt service	
Capital projects	
Other purposes	
Unrestricted	
<b>Total cash basis net position</b>	

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

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Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(200,828)	-	(200,828)
(4,971)	-	(4,971)
(200,364)	-	(200,364)
(13,834)	-	(13,834)
(106,821)	-	(106,821)
(114,264)	-	(114,264)
(159,047)	-	(159,047)
<u>(800,129)</u>	<u>-</u>	<u>(800,129)</u>
-	(170,727)	(170,727)
-	(193,786)	(193,786)
-	(117,455)	(117,455)
-	(481,968)	(481,968)
<u>(800,129)</u>	<u>(481,968)</u>	<u>(1,282,097)</u>
346,552	-	346,552
106,127	-	106,127
91,809	-	91,809
107,650	-	107,650
3,297	760	4,057
162,983	-	162,983
1,072,170	546,539	1,618,709
85,539	(85,539)	-
<u>1,976,127</u>	<u>461,760</u>	<u>2,437,887</u>
1,175,998	(20,208)	1,155,790
197,941	524,410	722,351
<u>\$ 1,373,939</u>	<u>504,202</u>	<u>1,878,141</u>
\$ 64,363	-	64,363
7,865	-	7,865
48,646	-	48,646
2,326	11,165	13,491
1,010,861	-	1,010,861
366,765	-	366,765
(126,887)	493,037	366,150
<u>\$ 1,373,939</u>	<u>504,202</u>	<u>1,878,141</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, 2013

	<u>General</u>	<u>Capital Projects East St. and Veteran's Drive</u>
<b>Receipts:</b>		
Property tax	\$ 252,390	-
Tax increment financing	-	-
Other city tax	21,360	-
Licenses and permits	4,705	-
Use of money and property	24,776	-
Intergovernmental	87,714	-
Charges for service	87,833	-
Special assessments	-	-
Miscellaneous	69,380	-
Total receipts	548,158	-
<b>Disbursements:</b>		
Operating:		
Public safety	234,942	-
Public works	45,201	-
Culture and recreation	220,253	-
Community and economic development	11,747	-
General government	95,752	-
Debt service	-	-
Capital projects	-	114,264
Total disbursements	607,895	114,264
Excess (deficiency) of receipts over (under) disbursements	(59,737)	(114,264)
<b>Other financing sources (uses):</b>		
Bond proceeds	-	1,072,170
Operating transfers in	151,527	96,884
Operating transfers out	(105,872)	-
Total other financing sources (uses)	45,655	1,169,054
Net change in cash balances	(14,082)	1,054,790
Cash balances beginning of year	138,166	(43,929)
Cash balances end of year	\$ 124,084	1,010,861
<b>Cash Basis Fund Balances</b>		
Nonspendable:		
Cemetery perpetual care	\$ -	-
Library trust	-	-
Restricted for:		
Streets	-	-
Capital projects	-	1,010,861
Debt service	-	-
Other purposes	43,253	-
Committed for doctor recruitment	17,000	-
Unassigned	63,831	-
Total cash basis fund balances	\$ 124,084	1,010,861

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
98,942	87,463	438,795
-	91,809	91,809
1,769	109,374	132,503
-	-	4,705
-	1,669	26,445
-	120,474	208,188
-	-	87,833
5,416	-	5,416
-	25,146	94,526
<u>106,127</u>	<u>435,935</u>	<u>1,090,220</u>
-	38,872	273,814
-	93,114	138,315
-	39,125	259,378
-	2,087	13,834
-	17,527	113,279
159,047	-	159,047
-	-	114,264
<u>159,047</u>	<u>190,725</u>	<u>1,071,931</u>
<u>(52,920)</u>	<u>245,210</u>	<u>18,289</u>
-	-	1,072,170
53,205	135,577	437,193
-	(245,782)	(351,654)
<u>53,205</u>	<u>(110,205)</u>	<u>1,157,709</u>
285	135,005	1,175,998
2,041	101,663	197,941
<u>2,326</u>	<u>236,668</u>	<u>1,373,939</u>
-	64,363	64,363
-	7,865	7,865
-	48,646	48,646
-	-	1,010,861
2,326	-	2,326
-	306,512	349,765
-	-	17,000
-	(190,718)	(126,887)
<u>2,326</u>	<u>236,668</u>	<u>1,373,939</u>

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

As of and for the year ended June 30, 2013

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 470,417	270,480	225,235	966,132
Total operating receipts	470,417	270,480	225,235	966,132
Operating disbursements:				
Business type activities	291,151	131,614	333,538	756,303
Total operating disbursements	291,151	131,614	333,538	756,303
Excess (deficiency) of operating receipts over (under) operating disbursements	179,266	138,866	(108,303)	209,829
Non-operating receipts (disbursements)				
Interest on investments	248	248	264	760
Intergovernmental	248,096	-	-	248,096
Loan proceeds	319,082	143,457	84,000	546,539
Debt service	(75,178)	(54,939)	-	(130,117)
Capital projects	(522,911)	(277,713)	(9,152)	(809,776)
Net non-operating receipts (disbursements)	(30,663)	(188,947)	75,112	(144,498)
Excess (deficiency) of receipts over (under) disbursements	148,603	(50,081)	(33,191)	65,331
Operating transfers in	23,073	1,593	-	24,666
Operating transfers out	(37,000)	(63,205)	(10,000)	(110,205)
Net change in cash balances	134,676	(111,693)	(43,191)	(20,208)
Cash balances beginning of year	86,228	328,245	109,937	524,410
Cash balances end of year	\$ 220,904	216,552	66,746	504,202
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 11,165	-	-	11,165
Unrestricted:				
Reserved for capital projects	27,839	27,839	29,627	85,305
Unrestricted	181,900	188,713	37,119	407,732
Total cash basis fund balances	\$ 220,904	216,552	66,746	504,202

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2013

**(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 Cash Basis Statement of Activities and Net Position, ( previously referred to as 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, 2013

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 from general and emergency levies 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, 2013

The Capital Projects – East St. and Veteran’s Drive Fund is utilized to account for the receipts and disbursements related to the construction of the East St. and Veteran’s Drive street project.

The Debt Service Fund is utilized to account for property tax and other receipts 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 position 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, 2013

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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose for unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013 disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, debt service and business type activities functions.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2013

**(2) Cash**

The City's deposits in banks at June 30, 2013 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, 2013. During the year ended June 30, 2013, 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	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2014	\$ 170,000	26,975	98,928	43,027	268,928	70,002
2015	175,000	24,225	102,486	39,979	277,486	64,204
2016	175,000	20,975	104,060	36,825	279,060	57,800
2017	125,000	17,575	106,661	33,614	231,661	51,189
2018	125,000	14,675	103,061	30,391	228,061	45,066
2019-2023	475,000	44,428	512,000	107,610	987,000	152,038
2024-2028	195,000	6,200	358,000	32,910	553,000	39,110
2029	-	-	46,000	1,380	46,000	1,380
Total	\$1,440,000	155,053	1,431,196	325,736	2,871,196	480,789

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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 \$285,450. For the current year, principal and interest paid and total customer net receipts were \$23,590 and \$179,266, 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 were used to 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 total principle and interest remaining to be paid on the notes is \$750,940. For the current year, principal and interest paid and total customer net receipts were \$46,510 and \$179,266, respectively.

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 \$638,170. For the current year, principal and interest paid and total customer net receipts were \$52,950 and \$138,866, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient rates shall be charged to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest due on the revenue bond in the same year.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2013

The City has pledged future garbage customer receipts, net of specified operating disbursements to repay an \$84,000 note issued in December 2012. Proceeds from the note provided financing for a new garbage truck. The note is payable solely from garbage customer net receipts and is payable through 2018. The total principal and interest remaining to be paid on the loan is \$82,372. For the current year, principal and interest paid totaled \$9,153.

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, 2013:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 19,642
2015	19,642
2016	<u>19,642</u>
Less amount representing interest	<u>(4,225)</u>
Net present value of minimum lease payments	\$ <u>54,701</u>

Payments under the agreement totaled \$19,642 for the year ended June 30, 2013.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2013

**(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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$41,615, \$36,274, and \$34,538 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 9 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 \$340 for single coverage, \$749 for 2-person coverage, member plus children and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$53,643 and plan members eligible for benefits contributed \$10,914 to the plan.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2013

**(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, 2013 is \$26,685, primarily relating to the General Fund.

**(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, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 75,355
	Road Use	8,622
	Quasquicentennial	50
	Enterprise:	
	Water	32,500
	Sewer	10,000
	Garbage	<u>25,000</u>
		151,527
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	32,295
Road Use	General	11,482
Debt Service	Enterprise:	
	Sewer	53,205

City of Laurens, Iowa  
Notes to Financial Statements  
June 30, 2013

Capital Projects:	Special Revenue:	
Rise Project	TIF	91,800
East St. and Veteran's Drive	General	56,890
	Special Revenue:	
	Road Use	36,822
	Enterprise:	
	Water	<u>3,172</u>
		96,884
Enterprise: Water	Special Revenue:	
	Road Use	573
	General	<u>22,500</u>
		23,073
Sewer	Special Revenue:	
	Road Use	265
	Enterprise:	
	Water	<u>1,328</u>
		<u>1,593</u>
Total		\$ <u>461,859</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 Balance**

The Capital Projects Fund, RISE Project had a deficit balance of \$190,718 at June 30, 2013. 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.

**(10) Construction Commitments**

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 is being funded by GO bonds, Water and Sewer SRF Loans, and a CDBG grant. As of June 30, 2013, the estimated cost remaining on this project is \$1,771,000.

City of Laurens, Iowa  
Notes to Financial Statements  
June 30, 2013

**(11) Subsequent Events**

The City has evaluated subsequent events through January 20, 2014, the date which the financial statements were available to be issued. The City has committed \$17,000 payable over the next four years to aid in recruiting Doctor to locate within Pocahontas County.

## **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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 438,795	-
Tax increment financing	91,809	-
Other city tax	132,503	-
Licenses and permits	4,705	-
Use of money and property	26,445	760
Intergovernmental	208,188	248,096
Charges for service	87,833	966,132
Special assessments	5,416	-
Miscellaneous	94,526	-
Total receipts	<u>1,090,220</u>	<u>1,214,988</u>
Disbursements:		
Public safety	273,814	-
Public works	138,315	-
Culture and recreation	259,378	-
Community and economic development	13,834	-
General government	113,279	-
Debt service	159,047	-
Capital projects	114,264	-
Business type activities	-	1,696,196
Total disbursements	<u>1,071,931</u>	<u>1,696,196</u>
Excess (deficiency) of receipts over (under) disbursements	18,289	(481,208)
Other financing sources, net	<u>1,157,709</u>	<u>461,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,175,998	(20,208)
Balances beginning of year	<u>197,941</u>	<u>524,410</u>
Balances end of year	<u>\$ 1,373,939</u>	<u>504,202</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
438,795	438,920	449,172	(10,377)
91,809	92,000	92,000	(191)
132,503	108,331	115,000	17,503
4,705	2,960	3,800	905
27,205	23,000	19,700	7,505
456,284	148,252	175,539	280,745
1,053,965	1,064,476	1,032,609	21,356
5,416	-	5,415	1
<u>94,526</u>	<u>45,383</u>	<u>126,345</u>	<u>(31,819)</u>
<u>2,305,208</u>	<u>1,923,322</u>	<u>2,019,580</u>	<u>285,628</u>
273,814	320,396	323,480	49,666
138,315	147,852	234,391	96,076
259,378	184,324	237,026	(22,352)
13,834	24,000	13,500	(334)
113,279	132,087	130,650	17,371
159,047	173,682	108,093	(50,954)
114,264	620,000	2,527,170	2,412,906
<u>1,696,196</u>	<u>2,149,508</u>	<u>1,070,459</u>	<u>(625,737)</u>
<u>2,768,127</u>	<u>3,751,849</u>	<u>4,644,769</u>	<u>1,876,642</u>
(462,919)	(1,828,527)	(2,625,189)	2,162,270
<u>1,618,709</u>	<u>1,945,000</u>	<u>2,601,120</u>	<u>(982,411)</u>
1,155,790	116,473	(24,069)	1,179,859
<u>722,351</u>	<u>647,256</u>	<u>647,256</u>	<u>75,095</u>
<u>1,878,141</u>	<u>763,729</u>	<u>623,187</u>	<u>1,254,954</u>

City of Laurens, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2013

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, two budget amendments increased budgeted revenues by 96,258, disbursements by \$892,920 , other financing sources by \$602,769 and transfers out by \$53,351. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, debt service, and business type activities 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, 2013

	Special Revenue				
	Police Special	Employee Benefits	TIF	Road Use	Local Option Sales Tax
Receipts:					
Property tax	\$ -	87,463	-	-	-
Tax increment financing	-	-	91,809	-	-
Other city tax	-	1,724	-	-	107,650
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	120,474	-
Miscellaneous	5	-	-	-	-
Total receipts	5	89,187	91,809	120,474	107,650
Disbursements:					
Operating:					
Public safety	-	38,872	-	-	-
Public works	-	11,831	-	81,283	-
Culture and recreation	-	31,827	-	-	-
Community and economic development	-	-	-	-	-
General government	-	17,527	-	-	-
Total disbursements	-	100,057	-	81,283	-
Excess (deficiency) of receipts over (under) disbursements	5	(10,870)	91,809	39,191	107,650
Other financing sources (uses):					
Operating transfers in	-	32,295	-	11,482	-
Operating transfers out	-	-	(91,800)	(46,282)	(107,650)
Total other financing sources (uses)	-	32,295	(91,800)	(34,800)	(107,650)
Change in cash balances	5	21,425	9	4,391	-
Cash balances beginning of year	4,140	2,559	-	44,255	61,115
Cash balances end of year	\$ 4,145	23,984	9	48,646	61,115
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Cemetery perpetual care	\$ -	-	-	-	-
Library trust	-	-	-	-	-
Restricted for:					
Streets	-	-	-	48,646	-
Restricted for other purposes	4,145	23,984	9	-	61,115
Unassigned	-	-	-	-	-
Total cash basis fund balances	\$ 4,145	23,984	9	48,646	61,115

See accompanying independent auditor's report.

Schedule 1

Special Revenue					Capital Projects		Permanent		Total
Cemetery Road Paving	Sister City	Quasqui- centennial	Hometown Pride	Pool Committee	Capital Equipment	Rise Project	Cemetery Perpetual Care	Library Trust	
-	-	-	-	-	-	-	-	-	87,463
-	-	-	-	-	-	-	-	-	91,809
-	-	-	-	-	-	-	-	-	109,374
-	-	-	-	-	1,669	-	-	-	1,669
-	-	-	-	-	-	-	-	-	120,474
900	3,461	140	20,000	-	-	-	640	-	25,146
900	3,461	140	20,000	-	1,669	-	640	-	435,935
-	-	-	-	-	-	-	-	-	38,872
-	-	-	-	-	-	-	-	-	93,114
2,000	-	-	5,241	57	-	-	-	-	39,125
-	2,087	-	-	-	-	-	-	-	2,087
-	-	-	-	-	-	-	-	-	17,527
2,000	2,087	-	5,241	57	-	-	-	-	190,725
(1,100)	1,374	140	14,759	(57)	1,669	-	640	-	245,210
-	-	-	-	-	-	91,800	-	-	135,577
-	-	(50)	-	-	-	-	-	-	(245,782)
-	-	(50)	-	-	-	91,800	-	-	(110,205)
(1,100)	1,374	90	14,759	(57)	1,669	91,800	640	-	135,005
3,646	3,785	-	-	7,570	185,523	(282,518)	63,723	7,865	101,663
2,546	5,159	90	14,759	7,513	187,192	(190,718)	64,363	7,865	236,668
-	-	-	-	-	-	-	64,363	-	64,363
-	-	-	-	-	-	-	-	7,865	7,865
-	-	-	-	-	-	-	-	-	48,646
2,546	5,159	90	14,759	7,513	187,192	-	-	-	306,512
-	-	-	-	-	-	(190,718)	-	-	(190,718)
2,546	5,159	90	14,759	7,513	187,192	(190,718)	64,363	7,865	236,668

City of Laurens, Iowa  
Schedule of Indebtedness  
Year ended June 30, 2013

<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	Aug 20, 2008	3.20-4.40%	\$ 415,000
Sewer Lagoon	Feb 24, 2012	1.00-1.55%	200,000
East St. & Veterans Road	Nov 11, 2012	0.50-2.15%	1,080,000
Total			
Revenue bond/notes:			
Sewer	May 23, 2005	3.00%	\$ 807,000
Water	Sep 9, 2005	3.00%	356,000
Water -Non-forgivable	Dec 16, 2009	3.00%	695,000
Garbage	Dec 6, 2012	3.40%	84,000
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>
295,000	-	45,000	250,000	12,230	-
200,000	-	50,000	150,000	3,205	-
-	1,080,000	40,000	1,040,000	7,762	-
<u>\$ 495,000</u>	<u>1,080,000</u>	<u>135,000</u>	<u>1,440,000</u>	<u>23,197</u>	<u>-</u>
565,000	-	36,000	529,000	16,950	-
253,000	-	16,000	237,000	7,590	-
617,000	-	28,000	589,000	18,510	-
-	84,000	7,804	76,196	1,348	-
<u>\$ 1,435,000</u>	<u>84,000</u>	<u>87,804</u>	<u>1,431,196</u>	<u>44,398</u>	<u>-</u>

City of Laurens, Iowa

Bond and Note Maturities

June 30, 2013

General Obligation Notes								
Year Ending June 30,	Street Improvements			Sewer Lagoon		East Street and Veterans Road		Total
	Issued August 20, 2008			Issued February 24, 2012		Issued November 20, 2012		
	Interest			Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount		
2014	4.00 %	\$ 45,000	1.15 %	\$ 50,000	0.50 %	\$ 75,000	170,000	
2015	4.10	50,000	1.35	50,000	0.50	75,000	175,000	
2016	4.20	50,000	1.55	50,000	0.70	75,000	175,000	
2017	4.30	50,000	-	-	0.70	75,000	125,000	
2018	4.40	55,000	-	-	1.00	70,000	125,000	
2019	-	-	-	-	1.00	95,000	95,000	
2020	-	-	-	-	1.30	95,000	95,000	
2021	-	-	-	-	1.30	95,000	95,000	
2022	-	-	-	-	1.65	95,000	95,000	
2023	-	-	-	-	1.65	95,000	95,000	
2024	-	-	-	-	2.00	95,000	95,000	
2025	-	-	-	-	2.15	100,000	100,000	
Total		<u>\$ 250,000</u>		<u>\$ 150,000</u>		<u>\$ 1,040,000</u>	<u>1,440,000</u>	

Revenue Bonds								
Year Ending June 30,	Water			Water -Non-forgivable		Sewer		Total
	Issued May 23, 2005			Issued December 16, 2009		Issued September 9, 2005		
	Interest			Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount		
2014	3.00 %	\$ 17,000	3.00 %	\$ 29,000	3.00 %	\$ 37,000		
2015	3.00	18,000	3.00	30,000	3.00	38,000		
2016	3.00	18,000	3.00	30,000	3.00	39,000		
2017	3.00	18,000	3.00	31,000	3.00	40,000		
2018	3.00	19,000	3.00	33,000	3.00	42,000		
2019	3.00	19,000	3.00	34,000	3.00	43,000		
2020	3.00	20,000	3.00	35,000	3.00	45,000		
2021	3.00	20,000	3.00	36,000	3.00	46,000		
2022	3.00	21,000	3.00	37,000	3.00	47,000		
2023	3.00	22,000	3.00	38,000	3.00	49,000		
2024	3.00	22,000	3.00	39,000	3.00	51,000		
2025	3.00	23,000	3.00	41,000	3.00	52,000		
2026	-	-	3.00	42,000	-	-		
2027	-	-	3.00	43,000	-	-		
2028	-	-	3.00	45,000	-	-		
2029	-	-	3.00	46,000	-	-		
Total		<u>\$ 237,000</u>		<u>\$ 589,000</u>		<u>\$ 529,000</u>		

<u>Garbage</u>		
<u>Issued December 6, 2012</u>		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.40 % \$	15,928	98,928
3.40	16,486	102,486
3.40	17,060	104,060
3.40	17,661	106,661
3.40	9,061	103,061
-	-	96,000
-	-	100,000
-	-	102,000
-	-	105,000
-	-	109,000
-	-	112,000
-	-	116,000
-	-	42,000
-	-	43,000
-	-	45,000
-	-	46,000
	<u>\$ 76,196</u>	<u>1,431,196</u>

City of Laurens, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 438,795	424,007	406,688	378,858
Tax increment financing collections	91,809	84,944	81,296	36,522
Other city tax	132,503	153,376	89,535	111,011
Licenses and permits	4,705	2,930	18,138	16,700
Use of money and property	26,445	21,386	25,247	32,926
Intergovernmental	208,188	204,094	217,780	265,345
Charges for service	87,833	62,622	85,649	69,769
Special assessments	5,416	9,350	7,603	6,034
Miscellaneous	<u>94,526</u>	<u>95,527</u>	<u>127,183</u>	<u>80,473</u>
Total	<u>\$ 1,090,220</u>	<u>1,058,236</u>	<u>1,059,119</u>	<u>997,638</u>
Disbursements:				
Operating				
Public safety	\$ 273,814	291,118	266,660	258,637
Public works	138,315	218,177	236,607	175,369
Culture and recreation	259,378	279,341	259,904	210,061
Community and economic development	13,834	20,338	3,839	16,211
General government	113,279	149,222	170,817	179,533
Debt service	159,047	138,170	143,445	143,275
Capital projects	<u>114,264</u>	<u>43,929</u>	<u>-</u>	<u>57</u>
Total	<u>\$ 1,071,931</u>	<u>1,140,295</u>	<u>1,081,272</u>	<u>983,143</u>

See accompanying independent auditor's report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
390,901	369,707	335,650	341,730	366,286	344,293
-	-	-	-	-	-
75,082	91,562	120,488	93,577	128,542	16,041
20,736	21,099	1,835	2,765	2,217	2,280
20,649	51,850	52,651	67,629	61,223	57,717
237,808	378,407	292,406	885,985	222,930	309,472
63,610	81,241	218,658	247,509	251,257	240,686
5,483	7,988	8,606	12,856	6,663	9,985
<u>63,037</u>	<u>99,235</u>	<u>102,338</u>	<u>52,333</u>	<u>30,872</u>	<u>27,675</u>
<u>877,306</u>	<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>
283,976	268,583	345,969	316,591	217,117	213,452
219,462	193,569	283,991	308,145	378,289	311,777
271,845	211,256	263,507	175,591	169,850	180,416
23,720	66,721	6	69	17	13
184,377	257,157	126,133	76,955	80,362	71,999
160,521	148,200	148,403	148,253	147,758	152,072
<u>377,608</u>	<u>318,446</u>	<u>417,102</u>	<u>734,794</u>	<u>10,780</u>	<u>29,287</u>
<u>1,521,509</u>	<u>1,463,932</u>	<u>1,585,111</u>	<u>1,760,398</u>	<u>1,004,173</u>	<u>959,016</u>

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

## Certified Public Accountants

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the primary government's basic financial statements, and have issued our report thereon dated January 20, 2014. Our report expressed unmodified opinions on the financial statements, except for the business type activities, which was adverse due to the omission of the City's component units, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Laurens' internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Laurens' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City Laurens' financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, describe in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting as item I-A-13.

#### 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, 2013, 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

The City of Laurens' responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Laurens' responses were not subjected to the auditing procedures applied in the audit of the financials and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 20, 2014

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-13     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, 2013

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

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation, community and economic development, debt service and business type activities 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.

II-B-13 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-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Clarence Siepker, Council Member Owner of an auto repair business	Vehicle Repairs	\$ 1,605

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, 2013

II-E-13 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-13 Council Minutes – No transactions were found that we believe should have been approved in the Council Minutes but were not.

Although minutes of the City Council proceedings were published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa, they did not include the total disbursements from each fund or a summary of all receipts.

Recommendation – The City should comply with chapter 21 of the Code of Iowa and should publish the total disbursements from each fund and a summary of all receipts.

Response – We will comply with the Code requirements and publish the total disbursements by fund and a summary of receipts.

Conclusion – Response accepted.

II-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-13 Revenue Bonds and Notes – The City has complied with all of the revenue bond and note provisions.

II-I-13 Financial Condition – There was one fund in a deficit position as of June 30, 2013.

Recommendation – The City should review the deficit.

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

Conclusion – Response accepted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-J-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

However, the following exceptions were noted:

The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger. Both the beginning and ending cash balances are overstated by \$957.

Recommendation – The City should ensure the cash balances reported on the Levy Authority Summary agree with the City's records.

Response – These items will be corrected on next year's report.

Conclusion – Response accepted.