

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**

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

**December 31, 2013**

**T. P. ANDERSON & COMPANY, P.C.  
Certified Public Accountants**

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**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**OFFICIALS**

**December 31, 2013**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Ben Storms	Trustee	April, 2015
Jerry Runneberg	Trustee	April, 2017
Richard Main	Trustee	April, 2019



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Laurens Municipal Power & Communications  
Laurens, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the major funds of Laurens Municipal Power & Communications (the Utility), a component Unit of the City of Laurens, Iowa, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds of Laurens Municipal Power & Communications, a component Unit of the City of Laurens, Iowa, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 5-7 and 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens Municipal Power & Communication's basic financial statements. The schedules of operating revenue and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenue and expenses are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of light and power plant statistics on pages 33 and 34 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 September 24, 2014 on our consideration of the Laurens Municipal Power & Communication's internal control over financial reporting and on 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* in considering Laurens Municipal Power & Communication's internal control over financial reporting and compliance

*T.P. Anderson & Company, P.C.*

September 24, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management of Laurens Municipal Power & Communications (the Utility) provides this Management's Discussion and Analysis of the Utility's financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2013. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- ◆ Laurens Municipal Power & Communication with the approval of its trustees, has elected to report the Light and Power Fund and Communications Fund together rather than in separate reports. The same board of trustees provides oversight to each of the funds.
- ◆ The Utility's operating revenues increased from approximately \$3.5 million in 2012 to approximately \$4.1 million in 2013, an increase of 16%. This increase primarily resulted from a rate increase and capacity income credits implemented and received in 2013 as well as increased kilowatt hours sold during the year in the electric utility.
- ◆ The Utility's operating expenses increased 9% from \$3.4 million in 2012 to \$3.7 million in 2013. The increase in expense resulted from increased depreciation from recent capital additions, purchased power, and maintenance and repairs.
- ◆ The Utility's Net Position increased \$408,000 during 2013. The Light and Power fund net position increased \$445,000 while the communication fund's net position decreased \$37,000.

### USING THIS ANNUAL REPORT

The Utility presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Utility's financial statements. The annual report consists of a series of financial statements and other information, as follows:

- ◆ Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.
- ◆ The Balance Sheet presents information on the Utility's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- ◆ The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- ◆ Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- ◆ Required Supplementary Information further explains and supports the financial statements with a comparison of the Utility's budget for the year and the funding progress for the retiree health care plan.
- ◆ The schedules of operating revenues and expenses included as Supplementary Information provide detailed

information about operating revenues and expenses.

- ◆ The Other Information included in Schedule 3 provides statistical data for users of the financial statements and is unaudited.

## REPORTING THE UTILITY'S FINANCIAL ACTIVITIES

### *Fund Financial Statements*

The Utility utilizes proprietary fund accounting for its enterprise funds. Enterprise funds are used to report business type activities. The Utility maintains two enterprise funds to provide separate information for the electric and communications funds; both of which are considered to be major funds of the utility.

The condensed financial highlights below show the results of the Utilities' financial position and the changes in net position for the year ended December 31, 2013.

	<u>2013</u>	<u>2012</u>
<b>Operating</b>		
Revenues	\$ 4,112	\$ 3,541
Expenses	<u>3,675</u>	<u>3,375</u>
Operating Income (Loss)	<u>437</u>	<u>166</u>
<b>Non-Operating</b>		
Revenues (Expenses)	<u>17</u>	<u>365</u>
<b>Other</b>		
Transfers to the City of Laurens	<u>(46)</u>	<u>(42)</u>
<b>Change in Net Position</b>	<u>\$ 408</u>	<u>\$ 489</u>
<b>Assets</b>		
Current	\$ 3,034	\$ 6,668
Capital	9,951	6,918
Noncurrent	<u>868</u>	<u>821</u>
<b>Total Assets</b>	<u>\$ 13,853</u>	<u>\$ 14,407</u>
<b>Liabilities</b>		
Current	\$ 1,089	\$ 1,741
Long-term	6,839	7,148
<b>Net Position</b>		
Net Investment in Capital Assets	2,820	3,563
Restricted	170	204
Unrestricted	<u>2,935</u>	<u>1,751</u>
<b>Total liabilities and Net Position</b>	<u>\$ 13,853</u>	<u>\$ 14,407</u>

## CAPITAL ASSETS

As of December 31, 2013 and 2012, the Utility had approximately \$9.9 and \$6.9 million invested in capital assets, which is net of accumulated depreciation of \$8.3 in both years. The increase in capital assets was the result of construction of the new generation plant with 3 new CAT engines and improvements made to Neal 4. The Utility had depreciation expense of approximately \$365,000 in 2013 and \$293,000 in 2012.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Utility continued to improve its financial position during 2013. However the current condition of the economy continues to be a concern. Management continues to monitor all relevant factors that affect the utility including, but not limited to, the following:

- ◆ Facilities at the Utility require constant maintenance and upkeep.
- ◆ The challenge for the Utility to comply with ever-changing Federal and State legislation.
- ◆ Learning the pros and cons of operating within a Regional Transmission Organization (RTO), specifically, the Southwest Power Pool (SPP).
- ◆ Staying competitive with the larger national communication companies, not only with the services offered but also with the prices of those services.
- ◆ The increasing customer demand for more bandwidth along with the cost to build the infrastructure.
- ◆ The inability of the FCC to correct the "Rural Call Completion".

## **CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Laurens Municipal Power & Communication's finances and to provide accountability for the money the Utility receives. If you have questions about this report or need additional financial information, contact the Utility's administration office at 272 North Third Street, Laurens Iowa.

## **BASIC FINANCIAL STATEMENTS**

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS**

**BALANCE SHEET  
AS OF DECEMBER 31, 2013 and 2012**

**Assets**

	<b>Electric Fund</b>	
	2013	2012
<b>Current Assets</b>		
Cash and cash equivalents- Unrestricted	\$ 798,018	\$ 4,045,105
Cash and cash equivalents- Restricted	42,539	163,108
Certificates of deposit - Unrestricted	822,384	1,151,223
Certificates of deposit - Restricted	127,616	40,777
Accounts receivable (net of allowance for doubtful accounts)	391,569	348,324
Notes receivable - current portion	56,807	56,232
Joint use contract receivable	125,000	125,000
Inventories	265,573	214,652
Accrued interest receivable	913	3,100
Prepaid expenses	176,487	183,291
<b>Total current assets</b>	2,806,906	6,330,812
<b>Capital Assets</b>		
Land	80,546	80,546
Plant in service	15,000,802	10,645,229
	15,081,348	10,725,775
Less accumulated depreciation	7,162,971	7,205,801
	7,918,377	3,519,974
Construction in progress	1,826,433	3,261,363
<b>Total capital assets</b>	9,744,810	6,781,337
<b>Other Assets</b>		
Notes receivable - net of current portion	137,519	149,280
Common transmission system	348,192	248,215
NIMECA - emissions funds	18,600	18,569
Deferred patronage refund receivable	56,514	58,779
Reserve Fund - Wheelen #2	36,725	31,345
Revolving loan receivable	270,000	315,000
<b>Total other assets</b>	867,550	821,188
<b>Total assets</b>	\$ 13,419,266	13,933,337

<b>Communications Fund</b>		<b>Total</b>	
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
\$ 144,241	\$ 279,566	\$ 942,259	\$ 4,324,671
-	-	42,539	163,108
-	-	822,384	1,151,223
-	-	127,616	40,777
		-	-
75,114	51,013	466,683	399,337
-	-	56,807	56,232
-	-	125,000	125,000
-	-	265,573	214,652
-	-	913	3,100
7,774	6,547	184,261	189,838
<u>227,129</u>	<u>337,126</u>	<u>3,034,035</u>	<u>6,667,938</u>
8,280	8,280	88,826	88,826
<u>1,361,621</u>	<u>1,266,563</u>	<u>16,362,423</u>	<u>11,911,792</u>
1,369,901	1,274,843	16,451,249	12,000,618
<u>1,163,707</u>	<u>1,138,572</u>	<u>8,326,678</u>	<u>8,344,373</u>
206,194	136,271	8,124,571	3,656,245
-	-	1,826,433	3,261,363
<u>206,194</u>	<u>136,271</u>	<u>9,951,004</u>	<u>6,917,608</u>
-	-	137,519	149,280
-	-	348,192	248,215
-	-	18,600	18,569
-	-	56,514	58,779
-	-	36,725	31,345
-	-	270,000	315,000
<u>-</u>	<u>-</u>	<u>867,550</u>	<u>821,188</u>
<u>\$ 433,323</u>	<u>473,397</u>	<u>\$ 13,852,589</u>	<u>14,406,734</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS**

**BALANCE SHEET-Continued**  
**AS OF DECEMBER 31, 2013 and 2012**

**Liabilities and Net Assets**

	<u>Electric Fund</u>	
	<u>2013</u>	<u>2012</u>
<b>Current and Accrued Liabilities</b>		
Current maturities of revenue bonds	\$ 320,000	\$ 200,000
Accounts payable	483,419	1,267,597
Joint use contract payable	-	-
Customer deposits	54,151	51,529
Other current and accrued liabilities	77,023	62,142
<b>Total current and accrued liabilities</b>	<u>934,593</u>	<u>1,581,268</u>
 <b>Long-Term Liabilities</b>		
Electric revenue bonds - net of current portion	6,811,138	7,127,244
OPEB obligation	17,027	13,530
	<u>6,828,165</u>	<u>7,140,774</u>
 <b>Net Position</b>		
Net investment in capital assets	2,613,672	3,426,442
Restricted	170,155	203,885
Unrestricted	2,872,681	1,580,968
<b>Total net position</b>	<u>5,656,508</u>	<u>5,211,295</u>
 <b>Total liabilities and net position</b>	<u>\$ 13,419,266</u>	<u>13,933,337</u>

<b>Communications Fund</b>		<b>Total</b>	
2013	2012	2013	2012
\$ -	\$ -	\$ 320,000	\$ 200,000
18,523	30,282	501,942	1,297,879
125,000	125,000	125,000	125,000
-	-	54,151	51,529
10,548	4,934	87,571	67,076
<u>154,071</u>	<u>160,216</u>	<u>1,088,664</u>	<u>1,741,484</u>
-	-	6,811,138	7,127,244
10,808	7,360	27,835	20,890
<u>10,808</u>	<u>7,360</u>	<u>6,838,973</u>	<u>7,148,134</u>
206,194	136,271	2,819,866	3,562,713
-	-	170,155	203,885
62,250	169,550	2,934,931	1,750,518
<u>268,444</u>	<u>305,821</u>	<u>5,924,952</u>	<u>5,517,116</u>
<u>\$ 433,323</u>	<u>473,397</u>	<u>\$ 13,852,589</u>	<u>14,406,734</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	<b>Electric Fund</b>	
	2013	2012
<b>Operating revenues:</b>	<b>\$ 3,200,175</b>	<b>\$ 2,624,681</b>
<b>Operating expenses:</b>		
Purchased power & programming	1,256,421	1,143,725
Generating plant - local	167,703	36,783
Generating plant - Neal 4	638,680	642,335
Distribution system - electric	72,566	142,666
Distribution system - communications	84,440	108,592
Transmission system	98,823	125,242
Customers' accounts expense	17,418	22,328
Administrative and general	389,681	272,482
<b>Total operating expenses</b>	<b>2,725,732</b>	<b>2,494,153</b>
<b>Operating income (loss)</b>	<b>474,443</b>	<b>130,528</b>
<b>Non-operating revenues (expenses):</b>		
Revenues from merchandising	4,388	5,463
Interest earned on investments	21,151	25,981
Amortization of bond issue costs	(3,895)	(1,779)
Interest expense	-	(24,686)
Loss on disposition of assets	(4,924)	-
Grant income	-	360,000
<b>Non-operating income</b>	<b>16,720</b>	<b>364,979</b>
<b>Change in net assets</b>	<b>491,163</b>	<b>495,507</b>
<b>Total net position, beginning of year</b>	<b>5,211,295</b>	<b>4,757,285</b>
<b>Less: Residual equity transfer to City - donation</b>	<b>(45,950)</b>	<b>(41,497)</b>
<b>Total net position, end of year</b>	<b>\$ 5,656,508</b>	<b>\$ 5,211,295</b>

See Notes to Financial Statements

<b>Communications Fund</b>		<b>Total</b>	
<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
\$ 912,325	\$ 916,335	\$ 4,112,500	\$ 3,541,016
553,889	549,328	1,810,310	1,693,053
-	-	167,703	36,783
-	-	638,680	642,335
-	-	72,566	142,666
51,727	69,575	136,167	178,167
-	-	98,823	125,242
(6,048)	6,646	11,370	28,974
350,134	255,636	739,815	528,118
<u>949,702</u>	<u>881,185</u>	<u>3,675,434</u>	<u>3,375,338</u>
(37,377)	35,150	437,066	165,678
-	-	-	-
-	-	4,388	5,463
-	-	21,151	25,981
-	-	(3,895)	(1,779)
-	-	-	(24,686)
-	-	(4,924)	-
-	-	-	360,000
<u>-</u>	<u>-</u>	<u>16,720</u>	<u>364,979</u>
(37,377)	35,150	453,786	530,657
305,821	270,671	5,517,116	5,027,956
-	-	(45,950)	(41,497)
<u>\$ 268,444</u>	<u>\$ 305,821</u>	<u>\$ 5,924,952</u>	<u>\$ 5,517,116</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	<b>Electric Fund</b>	
	2013	2012
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 3,025,175	\$ 2,474,985
Other operating cash receipts	125,000	125,000
Cash payments to suppliers	(2,106,117)	(2,082,596)
Cash payments to employees	(211,574)	(220,951)
Net cash provided by operating activities	832,484	296,438
<b>Cash flows from noncapital financing activities:</b>		
Payments to the city	(45,950)	(41,497)
Net cash (used) by noncapital financing activities	(45,950)	(41,497)
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(3,947,113)	(2,780,424)
Repayment of revenue bonds	(200,000)	(315,000)
Proceeds from bond issuances	-	7,328,696
Grant proceeds received	-	360,000
Checks issued in excess of bank balance	-	(173,940)
Cash payments for interest	(240,395)	(24,686)
Net cash (used) by capital and related financing activities	(4,387,508)	4,394,646
<b>Cash flows from investing activities:</b>		
Interest received	21,151	29,866
Note receivable issued	-	(390,000)
Collected notes receivable	56,171	10,025
Sale of resale merchandise	4,388	5,463
Proceeds from redemption of investments	1,251,608	1,218,022
Purchase of investments	(1,100,000)	(1,342,000)
Net cash (used) by investing activities	233,318	(468,624)
<b>Net increase in cash and cash equivalents</b>	(3,367,656)	4,180,963
<b>Cash and cash equivalents, beginning of year</b>	4,208,213	27,250
<b>Cash and cash equivalents, end of year</b>	\$ 840,557	\$ 4,208,213
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Income (loss) from operations	\$ 483,821	\$ 130,528
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	331,520	255,796
Change in accounts receivable	(52,623)	(11,783)
Change in prepaid expenses	6,804	(82,259)
Change in inventory	(50,921)	(5,918)
Change in accounts payable and accrued expenses (net of accounts payable for construction activities)	107,764	(7,788)
Change in customer deposits	2,622	13,242
Change in OPEB liability	3,497	4,620
Net cash provided by operating activities	\$ 832,484	\$ 296,438

See Notes to Financial Statements

<b>Communications Fund</b>		<b>Total</b>	
2013	2012	2013	2012
\$ 900,392	\$ 931,724	\$ 3,925,567	\$ 3,406,709
-	-	125,000	125,000
(794,449)	(700,401)	(2,900,566)	(2,782,997)
<u>(137,648)</u>	<u>(147,946)</u>	<u>(349,222)</u>	<u>(368,897)</u>
(31,704)	83,377	800,780	379,815
-	-	(45,950)	(41,497)
-	-	(45,950)	(41,497)
(103,621)	(61,912)	(4,050,734)	(2,842,336)
-	-	(200,000)	(315,000)
-	-	-	7,328,696
-	-	-	360,000
-	-	-	(173,940)
-	-	(240,395)	(24,686)
<u>(103,621)</u>	<u>(61,912)</u>	<u>(4,491,129)</u>	<u>4,332,734</u>
-	-	21,151	29,866
-	-	-	(390,000)
-	-	56,171	10,025
-	-	4,388	5,463
-	-	1,251,608	1,218,022
-	-	(1,100,000)	(1,342,000)
-	-	233,318	(468,624)
(135,325)	21,465	(3,502,981)	4,202,428
279,566	258,101	4,487,779	285,351
<u>\$ 144,241</u>	<u>\$ 279,566</u>	<u>984,798</u>	<u>4,487,779</u>
\$ (49,545)	\$ 35,150	434,276	165,678
33,698	37,467	365,218	293,263
(11,933)	17,835	(64,556)	6,052
(1,227)	(1,069)	5,577	(83,328)
-	-	(50,921)	(5,918)
(6,145)	(8,658)	101,619	(16,446)
-	-	2,622	13,242
3,448	2,652	6,945	7,272
<u>\$ (31,704)</u>	<u>\$ 83,377</u>	<u>\$ 800,780</u>	<u>\$ 379,815</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Laurens Municipal Power & Communications (the Utility) is a component unit of the City of Laurens, Iowa. The Utility is engaged in the activities of providing electric energy, telephone, cable and internet services to consumers. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also accepts the Utility's operating budget.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America applicable for proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

For financial reporting purposes, the Utility has included all funds, organizations, agencies, boards, commissions and authorities. The Utility has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Utility has no component units which meet the Governmental Accounting Standards Board criteria.

In 2013, the Utility with the approval of the Light and Power Board of Trustees and the Broadband Communications Board of Trustees elected to combine the Light and Power Fund and Communications Fund together in order to recognize certain administrative cost and time savings. Subsequent to this action, the same board of trustees provided oversight to each of these funds. Previously, these funds were reported as two separate utilities in accordance with their organizing documents. Separate board meetings, minutes, and budgeting were required for each.

**Basis of Presentation**

The accounts of the Utility are organized on the basis of proprietary enterprise funds, each of which is considered to be a separate accounting entity and each reported in a separate column in the financial statements. The operation of each fund are accounted for with separate set of self-balancing accounts, which comprise its assets, liabilities, net positions, revenues and expenses, and debt service of the designated activity. The Utility reports the following major enterprise funds:

- Electric Utility Fund
- Communications Utility Fund

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**Measurement Focus and Basis of Accounting**

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net positions, financial position, and cash flows. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

In reporting its financial activity, the Utility applies all applicable GASB pronouncements for proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Utility result from charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Shared Utility Plants**

Common Transmission System- North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, has entered into an agreement with Corn Belt Power Cooperative to obtain the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The Utility has recorded its share of the costs as capital assets in the Electric Utility Fund.

Neal 4 Generating System-The Utility is one of fourteen owners of Unit 4 George Neal Generating Station which is managed by MidAmerican Energy. The Utility owns .521 percent through an undivided ownership interest of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. The Utility has recorded its share of the costs as capital assets and inventories in the Electric Utility Fund.

**Budgets and Budgetary Accounting**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and a public hearing for each of the utility's funds. The budgetary comparison schedules and related disclosures are reported as Required Supplementary Information. During the year ended December 31, 2013, actual disbursements were within budgeted limitations.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**Interest Capitalization**

The Utility capitalizes interest costs incurred on funds used to construct capital assets. The capitalized interest is recorded as part of the asset to which it relates and is written off over the asset's estimated useful life.

**Assets, Liabilities and Net Position**

The following accounting policies are followed in preparing the statement of Net Position:

Cash and Cash Equivalents – The various funds of the Utility combine their cash and invested cash funds into several shared bank accounts at one financial institution. The Utility considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are carried at cost which approximates market value.

Accounts Receivable and Allowance for Doubtful Accounts – The Utility uses the allowance method to account for uncollectible accounts receivable. Management uses its judgment based primarily on the length of time specific accounts have been outstanding in determining the estimated allowance for doubtful accounts and related accounts receivable write-offs. A 1.5% per month penalty is charged for accounts older than 30 days.

The allowance for uncollectible accounts had a balance as of December 31, 2013 and 2012 as follows:

	<u>Electric Fund</u>	<u>Communications Fund</u>
December 31, 2013	\$20,000	\$10,000
December 31, 2012	\$12,629	\$14,421

Inventories – Inventories are stated at the lower of cost or replacement value using the first-in, first-out method. Cost is determined on a weighted average method. The electric utility fund inventories include fuel for the local plant and its joint ownership share of the coal and oil utilized at the Neal 4 Generation Station.

Capital Assets - Capital assets are carried at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense. The Utility computes depreciation on buildings and equipment using the straight-line method over the estimated useful lives of the property. Estimated useful lives of the buildings range from twenty to fifty years, while the lives of the equipment are estimated to range from three to thirty years.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

The cost of acquiring a portion of the common transmission system is being amortized over the remaining useful life of the assets.

**Statement of Revenues and Expenses**

Transactions deemed by management to be ongoing, major or central to the production of Utility sales are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses.

**Net Position**

Net positions are shown in three components:

- Net Investment in Capital Assets- This category of net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted- This category of net assets results when constraints placed on net asset use are either externally imposed by outside creditors, others or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted- This category of net assets consist of net positions not meeting the definition of the two proceeding categories. Unrestricted net positions often have constraints on resources imposed by management, which can be removed or modified.

When an expense incurred by the Utility may be paid with restricted or unrestricted assets, it is the Utility's policy to utilize the restricted resources first.

**NOTE 2 - CASH AND INVESTMENTS**

The Utility's deposits in financial institutions at December 31, 2013 and 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 ensure there will be no loss of public funds.

The Utility 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 Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; warrants or improvement certificates of a drainage district.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

Interest rate risk – The Utility’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

As of December 31, 2013 and 2012, the Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2013 and 2012 were as follows:

**December 31, 2013:**

**Electric Fund**

<b>Proprietary Activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 80,546	-	-	\$ 80,546
Construction in progress	3,813,143	2,996,779	4,983,489	1,826,433
	3,893,689	2,996,779	4,983,489	1,906,979
Capital assets being depreciated:				
Generating plant	2,527,464	5,146,591	233,632	7,440,423
Transmission plant	1,082,638	-	52,185	1,030,453
Transmission plant- Corn Belt	1,607,054	99,708	91,457	1,615,305
Distribution plant	1,904,390	15,579	-	1,919,969
Communication plant	2,619,594	13,970	-	2,633,564
Other equipment	352,309	11,179	2,400	361,088
Total capital assets being depreciated	10,093,449	5,287,027	379,674	15,000,802
Less accumulated depreciation for:				
Generating plant	2,398,562	146,429	252,557	2,292,434
Transmission plant	615,822	27,190	29,496	613,516
Transmission plant- Corn Belt	680,062	42,165	91,457	630,770
Distribution plant	991,328	51,840	-	1,043,168
Communication plant	2,249,766	48,730	-	2,298,496
Other equipment	270,261	15,166	840	284,587
Total accumulated depreciation	7,205,801	331,520	374,350	7,162,971
Total capital assets being depreciated, net	<u>3,439,428</u>			<u>7,837,831</u>
Net capital assets	<u>\$ 6,781,337</u>			<u>\$ 9,744,810</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**Communications Fund**

<b>Proprietary Activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 8,280	-	-	\$ 8,280
Capital assets being depreciated:				
Distribution plant-telephone	99,668	648	-	100,316
Other equipment-telephone	46,308	5,031	4,272	47,067
Distribution plant- CATV and internet	1,082,592	89,498	-	1,172,090
Other equipment-CATV and internet	37,995	10,008	5,855	42,148
Total capital assets being depreciated	1,266,563	105,185	10,127	1,361,621
Less accumulated depreciation for:				
Distribution plant-telephone	86,802	2,507	-	89,309
Other equipment-telephone	42,098	896	3,519	39,475
Distribution plant- CATV and internet	973,008	29,657	-	1,002,665
Other equipment-CATV and internet	36,664	635	5,041	32,258
Total accumulated depreciation	1,138,572	33,698	8,560	1,163,707
Total capital assets being depreciated, net	127,991			197,914
Net capital assets	\$ 136,271			\$ 206,194

**December 31, 2012:**

**Electric Fund**

<b>Proprietary Activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 80,546	-	-	\$ 80,546
Construction in progress	139,494	3,673,649	-	3,813,143
	220,040	3,673,649	-	3,893,689
Capital assets being depreciated:				
Generating plant	2,490,994	36,470	-	2,527,464
Transmission plant	1,082,638	-	-	1,082,638
Transmission plant- Corn Belt	1,547,446	59,608	-	1,607,054
Distribution plant	1,898,286	6,104	-	1,904,390
Communication plant	2,612,716	6,878	-	2,619,594
Other equipment	351,633	676	-	352,309
Total capital assets being depreciated	9,983,713	109,736	-	10,093,449
Less accumulated depreciation for:				
Generating plant	2,326,083	72,479	-	2,398,562
Transmission plant	587,142	28,680	-	615,822
Transmission plant- Corn Belt	640,036	40,026	-	680,062
Distribution plant	939,893	51,435	-	991,328
Communication plant	2,202,217	47,549	-	2,249,766

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

Other equipment	254,634	15,627	-	270,261
Total accumulated depreciation	<u>6,950,005</u>	<u>255,796</u>	-	<u>7,205,801</u>
Total capital assets being depreciated, net	<u>3,033,708</u>			<u>2,887,648</u>
Net capital assets	<u>\$ 3,253,748</u>			<u>\$ 6,781,337</u>

**Communications Fund**

<b>Proprietary Activities</b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 8,280	-	-	\$ 8,280
Capital assets being depreciated:				
Distribution plant-telephone	88,237	11,431	-	99,668
Other equipment-telephone	46,308	-	-	46,308
Distribution plant- CATV and internet	1,032,111	50,481	-	1,082,592
Other equipment-CATV and internet	37,995	-	-	37,995
Total capital assets being depreciated	<u>1,204,651</u>	<u>61,912</u>	-	<u>1,266,563</u>
Less accumulated depreciation for:				
Distribution plant-telephone	80,335	6,467	-	86,802
Other equipment-telephone	40,822	1,276	-	42,098
Distribution plant- CATV and internet	944,253	28,755	-	973,008
Other equipment-CATV and internet	35,695	969	-	36,664
Total accumulated depreciation	<u>1,101,105</u>	<u>37,467</u>	-	<u>1,138,572</u>
Total capital assets being depreciated, net	<u>103,546</u>			<u>127,991</u>
Net capital assets	<u>\$ 111,826</u>			<u>\$ 136,271</u>

**NOTE 4 – COMPENSATED ABSENCES**

Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The Utility's approximate liability for earned but unused vacation was \$15,666 and \$17,225 as of December 31, 2013 and 2012 respectively. This amount has been accrued and is reflected on the attached financial statements. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

**NOTE 5 - PENSION AND RETIREMENT BENEFITS**

The Utility 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.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
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**NOTES TO FINANCIAL STATEMENTS**

Plan members are required to contribute 5.95% (5.78% through June 30, 2013) of their annual salary and the Utility is required to contribute 8.93% (8.67% through June 30, 2013) of annual covered payroll. Contribution requirements are established by state statute. The Utility's contributions to IPERS for the years ended December 31, 2013, 2012, and 2011 were approximately \$38,476, \$29,184, and \$24,862 respectively, equal to the required contributions for each year.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Light and Power Plant and the Laurens Municipal Broadband Communications Utility have entered into an agreement whereby the Communications Utility shall pay the Electric Utility a lease payment for the use of a portion of the distribution system for the previous calendar year. The amount of the lease payment is subject to change based on the actual expenses incurred by the Laurens Municipal Light and Power Plant. This agreement was entered into in 2001 for a term of forty years.

**NOTE 7 – RISK MANAGEMENT**

The Utility is exposed to various risks of loss related to torts, errors and omissions, injuries to employees, natural disasters, and theft of, damage to and destruction of assets. These risks are covered by the purchase of commercial insurance. The Utility 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.

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description. The Utility operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are no retired members in the plan.

The medical coverage is administered by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy. The implicit subsidies result in an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The Utility's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Utility, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following tables show the components of the Utility's annual OPEB cost for the year ended December 31, 2013 and 2012, the amount actually contributed to the plan and changes in the Utility's net OPEB obligation:

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**Electric Fund**

	2013	2012
Annual required contribution	\$ 3,497	\$ 4,620
Interest on annual required contribution	-	-
Annual OPEB cost	3,497	4,620
Net OPEB obligation beginning of year	13,530	8,910
Net OPEB obligation end of year	\$ 17,027	\$ 13,530

**Communications Fund**

	2013	2012
Annual required contribution	\$ 3,498	\$ 2,497
Interest on annual required contribution	-	-
Annual OPEB cost	3,498	2,497
Net OPEB obligation beginning of year	7,360	4,863
Net OPEB obligation end of year	\$ 10,858	\$ 7,360

For calculation of the net OPEB obligation, the actuary has set the measurement date as January 1, 2013. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended December 31, 2013 and 2012.

For the years ended December 31, 2013 and 2012, the Utility did not contribute to the medical plan. The Utility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of December 31, 2013, 2012 and 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 6,995	0%	\$ 27,885
December 31, 2012	7,272	0%	20,890
December 31, 2011	6,960	0%	13,618

Funded Status and Funding Progress. As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability was \$55,996, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$55,996. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$423,000 and the ratio of the UAAL to covered payroll was 13.2%. As of December 31, 2013 and 2012, there were no trust fund assets.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2013 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Utility's funding policy. The ultimate medical trend rate is 6%. Rates are from an aging curve study presented by the Society of Actuaries in February 2006. The modest employee turnover rate was used to determine the annual retirement and termination probabilities.

**NOTE 9 – ELECTRIC REVENUE BONDS**

Changes in the electric utility revenue bonds for the year ended December 31, 2013 are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
2012 Electric Utility Revenue Bonds (interest rates from .5% to 3.8%)	\$ 7,400,000	-	200,000	7,200,000
	<u>\$ 7,400,000</u>	<u>-</u>	<u>200,000</u>	<u>7,200,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	320,000	190,465	510,465
2015	325,000	188,225	513,225
2016	330,000	185,300	515,300
2017	340,000	181,670	521,670
2018	345,000	176,910	521,910
2019-2023	1,860,000	779,045	2,639,045
2024-2028	2,175,000	509,825	2,684,825
2029-2031	<u>1,505,000</u>	<u>114,725</u>	<u>1,619,725</u>
	<u>\$ 7,200,000</u>	<u>2,326,165</u>	<u>9,526,165</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

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

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Electric Revenue Debt Service Reserve Fund into which there shall be set apart and funded monthly until the sum of \$541,000 has been accumulated.
- D. Sufficient rates are to be charged to generate net revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The net revenues are also to be equal to or greater than 125% of the principal and interest requirements of the next calendar year.

**NOTE 10 – RESTRICTED NET POSITION**

Net Position has been restricted in amount necessary to fund the following specific reserves in the Electric Utility Fund:

	<u>2013</u>	<u>2012</u>
Restricted:		
Bond retirement sinking fund	\$ 42,539	\$ 163,108
Bond reserve fund	<u>127,616</u>	<u>40,777</u>
	<u>\$ 170,155</u>	<u>\$ 203,885</u>

**NOTE 11 – NOTES RECEIVABLE**

City of Marathon – On January 1, 2004, the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. In 2012, the City of Marathon increased the note by \$30,000 in order to finance improvements made to their system. The amortization of the note requires monthly payments of \$1,584, including interest of 5.00% through December 2023. Total maturities for the note receivable are summarized as follows:

Year Ending	Electric Utility
<u>December 31:</u>	<u>Principal</u>
2014	\$ 11,807
2015	12,411
2016	13,029
2017	13,713
2018	14,414
2019 and thereafter	<u>83,952</u>
Total	<u>\$ 149,326</u>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – REVOLVING LOAN FUND**

The Utility implemented a revolving loan program in 2012. The program was funded with a \$300,000 Grant from USDA Rural Development. The grant funds and a \$60,000 local match were lent to one borrower in 2012. This loan charges no interest and calls for repayment of the note with annual payments of \$45,000. The ending principal balance of this loan was \$315,000 at year-end 2013.

**NOTE 13 – COMMON TRANSMISSION SYSTEM – CAPITAL IMPROVEMENT FUND**

This account is used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission.

**NOTE 14 - RECLASSIFICATION**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current-year financial statements.

**NOTE 15 – SUBSEQUENT EVENTS**

The Utility's management has evaluated events and transactions for potential recognition or disclosure through September 24, 2014, the date of the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2013**

Light and Power Plant			
	Actual	Original Budget	Final to Actual Variance
<b>Revenues:</b>			
Use of money and property	\$ 21,151	\$ 45,000	\$ (23,849)
Charges for services	3,075,175	3,070,000	\$ 5,175
Miscellaneous	129,388	165,000	\$ (35,612)
	<u>3,225,714</u>	<u>3,280,000</u>	<u>(54,286)</u>
<b>Expenses</b>	<u>2,725,173</u>	<u>3,010,000</u>	<u>284,827</u>
<b>Excess</b>			
<b>of Receipts Over Disbursements</b>	500,541	270,000	
<b>Net Position at Beginning of Period</b>			
Residual equity transfer to City - donation	(45,950)	(85,000)	
<b>Net Position at End of Period</b>	<u>\$ 5,665,886</u>	<u>\$ 5,130,816</u>	

Communications			
	Actual	Original/Final Budget	Final to Actual Variance
<b>Revenues:</b>			
Use of money and property	\$ -	6,000	(6,000)
Charges for services	907,784	989,000	(81,216)
Miscellaneous	4,541	5,000	(459)
	<u>912,325</u>	<u>1,000,000</u>	<u>(87,675)</u>
<b>Expenses</b>	<u>961,870</u>	<u>990,000</u>	<u>28,130</u>
<b>Excess</b>			
<b>of Receipts Over Disbursements</b>	(49,545)	10,000	<u>\$ (59,545)</u>
<b>Net Assets at Beginning of Period</b>			
	<u>305,821</u>	<u>311,671</u>	
<b>Net Assets at End of Period</b>	<u>\$ 256,276</u>	<u>321,671</u>	

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2013**

Reconciliation of Budgetary basis to financial statements			
	Light and Power plant	Communicaitons	Financial Statements
<b>Revenues:</b>			
Use of money and property	\$ 21,151	\$ -	\$ 21,151
Charges for services	3,075,175	907,784	3,982,959
Miscellaneous	129,388	4,541	133,929
	3,225,714	912,325	4,138,039
<b>Expenses</b>	2,725,173	961,870	3,687,043
<b>Excess of Receipts Over Disbursements</b>	500,541	(49,545)	450,996
<b>Net Position at Beginning of Period</b>	5,211,295	305,821	5,517,116
Residual equity transfer to City - donation	(45,950)	-	(45,950)
<b>Net Position at End of Period</b>	\$ 5,665,886	\$ 256,276	\$ 5,922,162

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

**YEAR ENDED DECEMBER 31, 2013**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing for each of its funds. The annual budgets may be amended during the year utilizing similar statutorily prescribed procedures. A reconciliation of the actual results by fund and the financial statements is included on page 25.

Disbursements for Laurens Municipal Light and Power Plant did not exceed the budgeted limits for the year ended December 31, 2013.

Disbursements for Laurens Municipal Broadband Communications Utility did not exceed the budgeted limits for the year ended December 31, 2013.

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(In Thousands)**

**Required Supplementary Information**

Year Ended December 31	Actuarial Valuation Date	Actuarial Value of Assets  (a)	Actuarial Accrued Liability  (b)	Unfunded AAL (UAAL)  (c)	Funded Ratio  (a/b)	Covered Payroll  (c)	UAAL as a Percentage of Covered Payroll  (b-a)/c
2013	January 1, 2013	-0-	\$ 56	\$ 56	0.00%	\$ 423	13.2%
2012	January 1, 2010	-0-	\$ 42	\$ 42	0.00%	\$ 406	10.3%
2011	January 1, 2010	-0-	\$ 42	\$ 42	0.00%	\$ 387	10.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 1

**SCHEDULES OF OPERATING REVENUES - LIGHT and POWER PLANT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Sale of electricity:		
Residential	\$ 929,488	751,223
Commercial	1,177,073	1,054,045
Resale	773,083	523,701
Marathon	152,412	120,009
Forfeited discounts	9,178	9,023
Sales of steam	8,730	4,818
Miscellaneous	25,211	36,862
Joint use agreement	125,000	125,000
	<u>\$ 3,200,175</u>	<u>2,624,681</u>

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 2

**SCHEDULES OF OPERATING REVENUES - COMMUNICATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	CABLE TV		TELEPHONE		INTERNET		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
Sale of cable services:								
Basic and digital cable	258,820	267,444	-	-	-	-	258,820	267,444
Sale of telephone services:								
Local	-	-	149,892	148,483	-	-	149,892	148,483
Long distance	-	-	24,397	25,308	-	-	24,397	25,308
Access fees	-	-	102,411	119,910	-	-	102,411	119,910
Internet			-	-	183,890	179,037	183,890	179,037
Transport fee credits	-	-	55,000	60,000	-	-	55,000	60,000
Special circuits	-	-	-	37,186	67,697	-	67,697	37,186
Other	-	-	7,524	8,738	-	-	7,524	8,738
USAC - high cost	-	-	719	677	-	-	719	677
Tower & fiber lease fees	16,620	5,400	-	-	-	-	16,620	5,400
Converters	31,169	28,346	-	-	-	-	31,169	28,346
Penalties	3,785	3,360	2,090	2,834	3,770	3,350	9,645	9,544
Miscellaneous	4,266	25,530	275	732	-	-	4,541	26,262
<b>Total operating revenue</b>	<u>314,660</u>	<u>330,080</u>	<u>342,308</u>	<u>403,868</u>	<u>255,357</u>	<u>182,387</u>	<u>912,325</u>	<u>916,335</u>

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 3

**SCHEDULE OF OPERATING EXPENSES - LIGHT AND POWER PLANT  
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	2013	2012
Purchased energy	\$ 1,256,421	1,143,725
Generating plant - local:		
On-call labor	21,241	23,691
Fuel	49,048	3,731
Operating supplies	1,014	553
Maintenance and repairs	747	624
Buildings and grounds maintenance and repairs	5,740	7,297
Depreciation	89,913	887
Total local generating plant expenses	167,703	36,783
Generating plant - Neal 4		
Fuel	311,856	383,406
Maintenance and repairs	124,181	54,808
Operating	84,657	68,616
Property taxes	21,813	24,642
Depreciation	56,516	71,592
Other	39,657	39,271
Total Neal 4 generating plant expenses	638,680	642,335
Distribution system - electric:		
Line and station supervision and labor	-	29,236
Line and station supplies and expense	7,744	6,980
Street lighting and signals labor and expense	-	-
Meter labor and expense	-	501
Customers' installation expense	3,074	7,161
Miscellaneous distribution expense	1,596	756
Maintenance of lines	6,190	36,740
Maintenance of line transformers	542	3,744
Maintenance of street lighting and signal systems	1,580	2,918
Maintenance of meters	-	3,195
Depreciation	51,840	51,435
Total electric distribution expense	72,566	142,666
Distribution system - communications:		
Line and station supervision and labor	-	2,694
Operating supplies and expense	3,601	2,703
Customers' installation expense	-	36,966
Maintenance of lines	330	4,402
Maintenance of nodes, amps and peds	1,488	7,916
Maintenance of voice ports	412	3,341
Property taxes	2,689	3,005
Depreciation	75,920	47,565
Total communications distribution expense	84,440	108,592

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 3 (continued)

**SCHEDULE OF OPERATING EXPENSES - LIGHT AND POWER PLANT**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	2013	2012
Transmission system:		
Amortization	-	1,452
Depreciation	42,165	68,707
Capacity assignment costs	26,081	26,008
Other	30,577	29,075
Total transmission system expenses	98,823	125,242
Customers' accounts expense:		
Bad debt expense (recoveries)	17,418	16,732
Meter reading expense	-	5,596
Total customers' accounts expense	17,418	22,328
Administrative and general expense:		
Administrative and general salaries	212,125	87,117
Conservation expense	3,991	19,063
Office supplies and postage	10,755	12,410
Audits, legal, and consultation services	13,872	4,674
Property insurance	20,785	16,409
Compensation insurance	7,800	3,536
Employees' group insurance	41,463	43,559
Trustees' fees	900	900
Dues and subscriptions	7,431	4,896
Cash payments to City	30,000	30,000
Cost of services to the Community	6,601	8,165
Legal publications	1,732	2,409
Advertising and promotion	1,030	1,012
Convention, meeting, and travel expense	1,036	1,388
Depreciation	15,167	15,610
Bank service charges	3,091	1,831
Motor vehicle and work equipment expense	4,638	15,905
Miscellaneous	7,264	3,598
Total administrative and general expense	389,681	272,482
Total operating expense	\$ 2,725,732	2,494,153

**LAURENS MUNICIPAL POWER & COMMUNICATIONS**  
**A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 4

**SCHEDULES OF OPERATING EXPENSES - COMMUNICATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

	CABLE TV		TELEPHONE		INTERNET		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
Cost of service:								
Basic and digital programming	232,290	225,144	-	-	-	-	232,290	225,144
Internet fees	-	-	-	-	47,568	46,855	47,568	46,855
Transport fees	5,400	7,860	8,871	6,510	11,648	-	25,919	14,370
Switching fees	-	-	50,864	55,117	-	-	50,864	55,117
Long-distance fees	-	-	17,250	16,948	-	-	17,250	16,948
Access fees	-	-	35,428	45,489	-	-	35,428	45,489
Billing fees	-	-	14,367	15,696	-	-	14,367	15,696
Directory listing fees	-	-	4,526	4,020	-	-	4,526	4,020
Wireless fees	-	-	677	689	-	-	677	689
Joint use fees	30,000	25,000	60,000	70,000	35,000	30,000	125,000	125,000
<b>Total cost of service</b>	<b>267,690</b>	<b>258,004</b>	<b>191,983</b>	<b>214,469</b>	<b>94,216</b>	<b>76,855</b>	<b>553,889</b>	<b>549,328</b>
Head-end system:								
Wages and benefits	-	4,797	-	7,850	-	4,797	-	17,444
Operating expenses and supplies	3,284	2,958	1,032	1,819	6,390	2,959	10,706	7,736
Maintenance and repairs	3,520	2,524	804	1,033	1,689	2,525	6,013	6,082
Buildings and grounds	1,364	928	980	1,235	972	928	3,316	3,091
Depreciation	25,298	25,500	3,063	6,467	3,331	3,255	31,692	35,222
<b>Total head-end system</b>	<b>33,466</b>	<b>36,707</b>	<b>5,879</b>	<b>18,404</b>	<b>12,382</b>	<b>14,464</b>	<b>51,727</b>	<b>69,575</b>
Customers' accounts expense:								
Bad debt expense	(2,016)	4,546	(2,016)	2,100	(2,016)	-	(6,048)	6,646
<b>Total customers' accounts expense</b>	<b>(2,016)</b>	<b>4,546</b>	<b>(2,016)</b>	<b>2,100</b>	<b>(2,016)</b>	<b>-</b>	<b>(6,048)</b>	<b>6,646</b>
Administrative and general expense:								
Administrative and general salaries	48,800	21,917	92,296	88,173	73,808	21,917	214,904	132,007
Office supplies and postage	3,397	2,991	3,599	5,999	3,199	2,991	10,195	11,981
Audits, legal, and consultation services	2,221	956	11,972	10,691	2,593	956	16,786	12,603
Property insurance	4,339	2,245	4,339	4,093	3,323	1,496	12,001	7,834
Compensation insurance	1,865	578	1,865	1,310	1,465	579	5,195	2,467
Employees' group insurance	15,190	11,577	15,205	23,221	15,186	11,578	45,581	46,376
Trustees' fees	300	225	300	450	300	225	900	900
Dues and subscriptions	2,016	1,294	2,812	2,902	2,493	1,294	7,321	5,490
Franchise requirements - cost of services to City	14,789	14,789	-	-	-	-	14,789	14,789
Legal publications	292	192	292	385	292	193	876	770
Advertising and promotion	335	148	340	324	335	149	1,010	621
Convention, meeting, and travel expense	475	305	380	611	402	306	1,257	1,222
E911 fees	-	-	9,671	7,454	-	-	9,671	7,454
Depreciation	833	484	340	1,276	833	485	2,006	2,245
Motor vehicle and work equipment expense	1,396	1,215	1,430	2,638	1,430	1,216	4,256	5,069
Miscellaneous	594	976	2,355	1,855	437	977	3,386	3,808
<b>Total administrative and general expense</b>	<b>96,842</b>	<b>59,892</b>	<b>147,196</b>	<b>151,382</b>	<b>106,096</b>	<b>44,362</b>	<b>350,134</b>	<b>255,636</b>
<b>Total operating expenses</b>	<b>395,982</b>	<b>359,149</b>	<b>343,042</b>	<b>386,355</b>	<b>210,678</b>	<b>135,681</b>	<b>949,702</b>	<b>881,185</b>

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 5

**SCHEDULE OF LIGHT AND POWER PLANT STATISTICS - Unaudited  
FOR THE YEARS ENDED DECEMBER 31:**

Electricity Purchased and Cost

Year	kWh	
	Purchased	Cost
2013	32,659,937	\$ 1,242,143
2012	30,444,691	\$ 1,143,725
2011	31,865,763	\$ 1,169,387
2010	32,329,380	\$ 1,147,870
2009	31,021,125	\$ 1,008,797

Electric Utility Residential and Commercial Billings

Year	No. of Accounts	Total kWh Sold	Billings
2013	836	28,500,022	\$ 2,094,816
2012	843	26,402,592	\$ 1,805,268
2011	855	27,990,127	\$ 1,730,043
2010	862	27,203,515	\$ 1,572,944
2009	861	26,324,903	\$ 1,555,882

Peak Demand

Year	Peak Demand (MW)
2013	7.36
2012	7.05
2011	7.76
2010	8.11
2009	8.46

History of Electric Accounts Served

Year	Peak			Public		Total
	Residential	Commercial	Industrial	Authority	Interdepartmental	
2013	673	67	68	12	16	836
2012	682	65	69	11	16	843
2011	692	68	72	8	15	855
2010	695	73	75	2	17	862
2009	698	71	75	2	15	861

See Accompanying Independent Auditor's Report

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS**

Schedule 5

**SCHEDULE OF LIGHT AND POWER PLANT STATISTICS - Unaudited  
FOR THE YEARS ENDED DECEMBER 31:**

Largest Electricity Users

Customer	2013 Annual Billings	% of Total Billings	2013 Total Billings
Fisher Gold Star	\$ 204,109	9.74%	\$ 2,094,816
Jack Links	\$ 204,086	9.74%	\$ 2,094,816
Bobalee	\$ 147,858	7.06%	\$ 2,094,816
Pengo Corporation	\$ 62,131	2.97%	\$ 2,094,816
Laurens-Marathon School	\$ 46,901	2.24%	\$ 2,094,816
Positech	\$ 44,060	2.10%	\$ 2,094,816
Farmers Coop	\$ 42,936	2.05%	\$ 2,094,816
City's Water Plant	\$ 34,185	1.63%	\$ 2,094,816
Food Pride	\$ 32,850	1.57%	\$ 2,094,816
Casey's General Store	\$ 27,482	1.31%	\$ 2,094,816

See Accompanying Independent Auditor's Report



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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 Board of Trustees of  
Laurens Municipal Power & Communications  
Laurens, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of Laurens Municipal Power & Communications (the Utility), a component unit of the City of Laurens, Iowa as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated September 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are 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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 functions, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies (I-A-13, I-B-13, I-C-13 and I-D-13) described in the accompanying schedule of findings to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Laurens Municipal Power & Communication's Response to Findings**

The Utility's response to the findings identified in our audit is described in the accompanying schedule of findings. The Utility's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*TP Anderson & Company, PC*

September 24, 2014

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2013**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

1-A-13 Condition – There is a lack of segregation of duties with respect to accounts receivable, customer receipts, bank reconciliations, and general ledger maintenance.

Criteria – A sound system of internal controls requires that incompatible duties be assigned to more than one employee.

Cause – This issue is due to the limited number of staff at the Utility.

Effect – A material weakness in the Utility’s control system.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Client Response – This is difficult with the minimal number of staff but we will continue to work on better segregation of duties.

Conclusion – Response accepted.

I-B-13 Condition – Material adjustments to Accounts Payable, Grant Income, and Capital Assets were required in order to present the financial statements fairly in accordance with accounting principles generally accepted in the United States of America.

Criteria – An internal control system that is functioning properly should either prevent or detect and correct material misstatements in a timely manner.

Cause – Regular month-end practices do not include reconciling accounts payable with subsidiary ledgers or supporting documentation. The entries to record the grant funds and the note receivable were entries that were not normal for the Utility.

Effect – Monthly reports generated by the accounting system were not accurate.

Recommendation – Procedures should be developed to ensure that all accounts payable are reconciled to supporting documents on a regular basis. When a material transaction is entered into and a clear understanding of the proper accounting for the transaction is not evident, you should consider consulting with an expert.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2013**

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

I-C-13 Condition – The Utilities’ management and staff do not possess the expertise to select and apply accounting principles and to prepare full-disclosure financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria – A proper system of internal controls assumes that management is able to select and apply appropriate accounting principles in order to present financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause – The Utilities have a strong staff capable of performing duties such as billing, bookkeeping, and customer service and managing a smooth operating enterprise, however the benefit of having an employee on staff with the needed accounting expertise has been outweighed by the added cost.

Effect – Management is not able to, without assistance, prepare financial statements in accordance with the standards.

Recommendation – Management should consider obtaining professional education training specific to the accounting principles used by the Utilities.

Client Response – We will take steps to train the staff and management in order to become more proficient.

Conclusion – Response accepted.

I-D-13 Condition – The Utility’s management does not have a formal process in place for determining compliance with the electric utility revenue bond resolution provisions.

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

Cause – Regular month-end practices do not include calculating the different provisions outlined in the bond agreement resolution.

Effect – A material weakness in the Utility’s control system

Recommendation – Procedures should be developed to ensure that all provisions are calculated and monitored on a monthly basis.

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

**LAURENS MUNICIPAL POWER & COMMUNICATIONS  
A COMPONENT UNIT OF THE CITY OF LAURENS, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED DECEMBER 31, 2013**

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

- II-A-13 Certified Budget - Disbursements during the year ended December 31, 2013 were within the budgeted limits.
- II-B-13 Questionable Disbursement - We noted no questionable disbursements in regard to 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 Utility officials or employees were noted.
- II-D-13 Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
- II-E-13 Bond Coverage – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-13 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.
- II-H-13 Revenue Bonds – No instances of non-compliance with revenue bond resolutions were noted.