

**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, 2015**

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## City of Laurens, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Rod Johnson	Mayor	Jan 2016
Sid Enockson	Council Member	Jan 2018
Jean Swanson	Council Member	Jan 2018
Rich Newgard	Council Member	Jan 2016
Julie Potter	Council Member	Jan 2016
Thaine Hopkins	Council Member	Jan 2016
Barbara Smith	City Manager/Clerk	Jan 2016
Ann Beneke	Attorney	Jan 2016

# 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, 2015, and the related Notes to 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 \$4,420,466, \$4,202,876 and \$6,142,542.

#### 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, 2015, 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 opinions are not modified with respect to this matter.

### Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Laurens adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No.68, Accounting and Financial Reporting for Pensions. Our opinions are 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, 2014 (which are not presented herein) and expressed an unmodified opinions 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 on the basis of cash receipts and disbursements. 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, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 12 and 32 through 39, 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 March 25, 2016 on our consideration of the City of Laurens' 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 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

March 25, 2016

## 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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 29.4% or approximately \$344,000, from fiscal year 2014 to fiscal year 2015. Property tax increased approximately \$115,000 and Local Option Sales Tax decreased approximately \$9,000. Program receipts increased 16.3% or approximately \$9,000, while operating grants, contributions and restricted interest increased 2.2% or approximately \$3,000.
- Disbursements of the City's governmental activities decreased 32.1% or approximately \$638,000, from June 30, 2014 to June 30, 2015. Public Safety increased by approximately \$15,000 and Culture & Recreation and Economic Development decreased approximately \$15,000 and \$800, respectively. Capital projects decreased by approximately \$763,000.
- The City's total cash basis net assets increased 9.1% or approximately \$105,000 from June 30, 2014 through June 30, 2015. Of this amount, the assets of the governmental activities increased approximately \$166,000 and the assets of the business type activities decreased approximately \$61,000.

### **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.

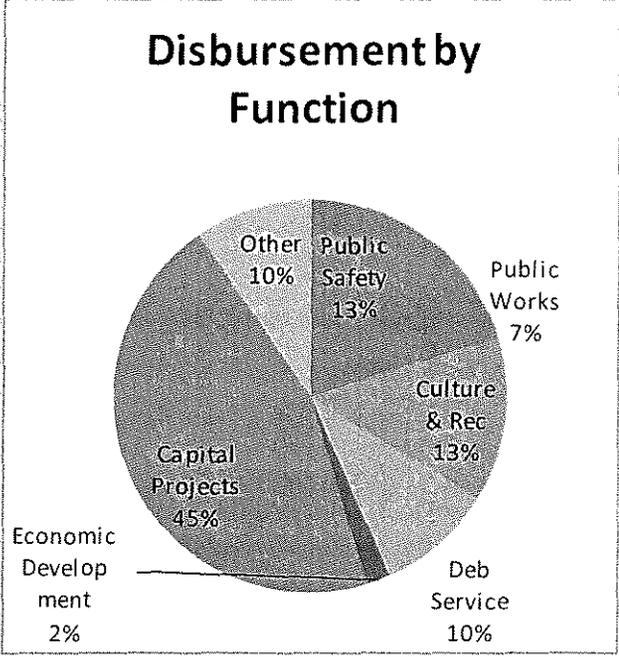
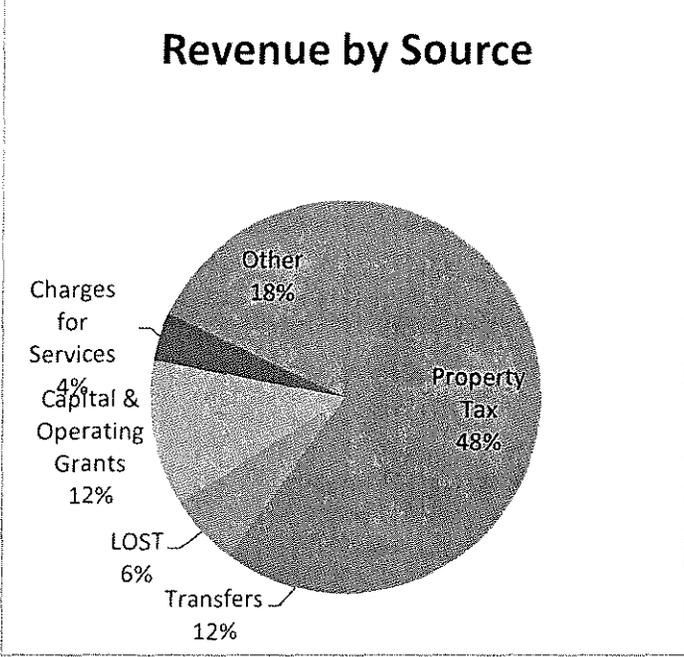
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer, and Garbage Funds, considered to be major funds of the City.

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 \$557,408 a year ago, to \$723,003. 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,	
		2015	2014
<b>Receipts:</b>			
Program Receipts:			
Charges for Services:	\$	64,413	\$ 55,402
Operating grants, contributions, restricted interest:		153,009	149,777
Capital grants, contributions, restricted interest:		37,186	8,779
General Receipts:			
Property Tax:		720,572	605,404
Local option sales tax:		94,422	103,625
Unrestricted interest on investments:		4,833	4,292
Transfers:		185,450	16,025
Bond proceeds:		-	-
Other general receipts:		254,029	226,822
<b>TOTAL RECEIPTS:</b>	<b>\$</b>	<b>1,513,914</b>	<b>\$ 1,170,126</b>
<b>Disbursements:</b>			
Public safety:		288,739	273,663
Public works:		179,157	143,694
Culture & recreation:		258,759	273,537
Community, Economic development:		29,128	29,889
General government:		188,287	120,150
Debt service:		219,967	197,975
Capital projects:		184,282	947,749
<b>TOTAL DISBURSEMENTS:</b>	<b>\$</b>	<b>1,348,319</b>	<b>\$ 1,986,657</b>
Change in cash basis net assets:		165,595	(816,531)
Cash basis net assets beginning of year:		557,408	1,373,939
Cash basis net assets end of year:	<b>\$</b>	<b>723,003</b>	<b>\$ 557,408</b>



The City's total receipts for governmental activities increased 29.4% or approximately \$344,000 for the year. This was mainly due to an increase in property tax receipts.

Based on increases in the total assessed valuation, the Capital Improvement Levy, and the new allocation for the Local Option Sales Tax, property tax receipts were budgeted to increase an additional \$88,026 for fiscal year 2015.

The cost of all governmental activities for the year was approximately \$1.35 million compared to approximately \$1.99 million last year. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$40,700 to \$254,608.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended	
	2015	2014
<b>Receipts:</b>		
Program Receipts:		
Charges for Service:		
Water:	\$ 482,449	\$ 477,862
Sewer:	291,660	280,306
Garbage:	234,560	232,912
Storm Water:	31,641	21,183
Capital grants, contributions, unrestricted interest:	68,362	228,758
General Receipts:		
Unrestricted interest on investments:	449	449
Bond Proceeds:	5,098	482,588
Other general receipts:	-	-
<b>TOTAL RECEIPTS:</b>	<b>\$ 1,114,219</b>	<b>\$ 1,724,058</b>
<b>Disbursements:</b>		
Water:	444,803	855,331
Sewer:	312,254	515,293
Garbage:	206,362	221,400
Storm Water:	25,901	18,351
<b>TOTAL DISBURSEMENTS:</b>	<b>\$ 989,320</b>	<b>\$ 1,610,375</b>
Change in cash basis net assets before transfers	124,899	113,683
Transfers, net	(185,450)	(16,025)
Change in cash basis net assets	(60,551)	97,658
Cash basis net assets beginning of year	601,860	504,202
Cash basis net assets end of year	<b>\$ 541,309</b>	<b>\$ 601,860</b>

Total business type activities receipts for the fiscal year were approximately \$1.1 million, about \$610,000 less than last year. Cash disbursements were about \$621,000 less than last year at \$1.0 million.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Laurens completed the year, its governmental funds reported a combined fund balance of \$723,003, an increase of approximately \$166,000 when compared with last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The increase in governmental funds is due to an increase in property tax receipts.

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

- The Enterprise, Water Fund cash balance increased \$13,030 to \$316,598. This increase was primarily due to an increase in water rates.
- The Enterprise, Sewer Fund cash balance decreased \$69,688 to \$152,345. This decrease was primarily due to a decrease in non-operating receipts and an increase in operating disbursements.
- The Enterprise, Garbage Fund cash balance decreased \$9,633 to \$63,794. The decrease was primarily due to an increase in transfers out.
- The Enterprise, Storm Water Fund cash balance increased \$5,740 to \$8,572. The increase was due to an increase in operating receipts.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget twice. The amendments resulted in a decrease in budgeted revenues by \$827,198 and an increase in budgeted disbursements by \$331,879, other financing sources by \$127,214 and transfers out by \$98,969. The decrease in revenues was due to a more realistic look at the expected donations for the Laurens Swimming Pool. The increase in disbursements came from the West Main Street Project as some of the expenses were beginning to come in during FY 15.

With the budget amendment, total disbursements were \$154,000 less than the amended budget. However, actual disbursements for the general government, debt service, and business type activities functions were exceeded.

## DEBT ADMINISTRATION

As of June 30, 2015, the City had \$3,195,684 in bonds and other long-term debt outstanding, compared to \$3,513,170 last year, as shown below:

	Outstanding Debt at Year-End	
	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
General Obligation Bonds:	\$ 1,095,000	\$1,270,000
Revenue notes:	<u>2,105,782</u>	<u>2,243,170</u>
TOTAL:	<u>\$3,200,782</u>	<u>\$3,513,170</u>

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 \$1,095,000 is below its constitutional debt limit of approximately \$2.1 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 2015 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 2.4% versus 3.5% a year ago. Unemployment in the state of Iowa stands at 3.5% with a national rate of 4.9%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$3,549,443. The City will continue to monitor water, sewer, and garbage rates and raise them as needed to pay debt and plan future improvements. The City's budgeted expenditures will decrease to an expected \$3,622,206.

## 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, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 288,739	31,766	2,500	-
Public works	179,157	5,443	130,810	-
Culture and recreation	258,759	22,497	19,699	6,316
Community and economic development	29,128	-	-	-
General government	188,287	4,707	-	-
Capital projects	184,282	-	-	30,870
Debt service	219,967	-	-	-
Total governmental activities	<u>1,348,319</u>	<u>64,413</u>	<u>153,009</u>	<u>37,186</u>
Business type activities:				
Water	444,803	482,449	-	68,362
Sewer	312,254	291,660	-	-
Garbage	206,362	234,560	-	-
Storm Water	25,901	31,641	-	-
Total business type activities	<u>989,320</u>	<u>1,040,310</u>	<u>-</u>	<u>68,362</u>
Total	<u>\$ 2,337,639</u>	<u>1,104,723</u>	<u>153,009</u>	<u>105,548</u>

**General Receipts and Transfers:**

Property and other city tax levied for:
General purposes
Debt service
Capital outlay
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 Activities	Business Type Activities	Total
(254,473)	-	(254,473)
(42,904)	-	(42,904)
(210,247)	-	(210,247)
(29,128)	-	(29,128)
(183,580)	-	(183,580)
(153,412)	-	(153,412)
(219,967)	-	(219,967)
<u>(1,093,711)</u>	<u>-</u>	<u>(1,093,711)</u>
-	106,008	106,008
-	(20,594)	(20,594)
-	28,198	28,198
-	5,740	5,740
-	<u>119,352</u>	<u>119,352</u>
<u>(1,093,711)</u>	<u>119,352</u>	<u>(974,359)</u>
427,857	-	427,857
174,249	-	174,249
18,034	-	18,034
100,432	-	100,432
94,422	-	94,422
4,833	449	5,282
254,029	-	254,029
-	5,098	5,098
<u>185,450</u>	<u>(185,450)</u>	<u>-</u>
<u>1,259,306</u>	<u>(179,903)</u>	<u>1,079,403</u>
165,595	(60,551)	105,044
<u>557,408</u>	<u>601,860</u>	<u>1,159,268</u>
<u>\$ 723,003</u>	<u>541,309</u>	<u>1,264,312</u>
\$ 65,643	-	65,643
7,865	-	7,865
98,414	-	98,414
21,211	#REF!	#REF!
10,535	68,593	79,128
474,231	-	474,231
<u>45,104</u>	<u>472,716</u>	<u>517,820</u>
<u>\$ 723,003</u>	<u>#REF!</u>	<u>#REF!</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, 2015

	<u>General</u>	<u>Special Revenue Employee Benefits</u>
Receipts:		
Property tax	\$ 280,632	128,981
Tax increment financing	-	-
Other city tax	20,932	2,126
Licenses and permits	3,361	-
Use of money and property	27,082	-
Intergovernmental	80,084	3,623
Charges for service	61,606	-
Special assessments	-	-
Miscellaneous	51,877	-
Total receipts	<u>525,574</u>	<u>134,730</u>
Disbursements:		
Operating:		
Public safety	233,532	55,207
Public works	45,142	22,297
Culture and recreation	197,337	35,406
Community and economic development	27,231	-
General government	153,805	34,482
Debt service	-	-
Capital projects	41,042	-
Total disbursements	<u>698,089</u>	<u>147,392</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(172,515)</u>	<u>(12,662)</u>
Other financing sources (uses):		
Operating transfers in	221,802	-
Operating transfers out	(7,803)	-
Total other financing sources (uses)	<u>213,999</u>	<u>-</u>
Net change in cash balances	41,484	(12,662)
Cash balances beginning of year	66,512	7,580
Cash balances end of year	<u>\$ 107,996</u>	<u>(5,082)</u>
<b>Cash Basis Fund Balances</b>		
Nonspendable:		
Cemetery perpetual care	\$ -	-
Library trust	-	-
Restricted for:		
Streets	-	-
Capital projects	-	(5,082)
Debt service	-	-
Other purposes	54,392	-
Committed for doctor recruitment	8,500	-
Unassigned	45,104	-
Total cash basis fund balances	<u>\$ 107,996</u>	<u>(5,082)</u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
166,502	17,538	593,653
-	100,432	100,432
2,460	94,918	120,436
-	-	3,361
-	2,911	29,993
4,205	161,680	249,592
-	-	61,606
1,082	-	1,082
-	116,432	168,309
<u>174,249</u>	<u>493,911</u>	<u>1,328,464</u>
-	-	288,739
-	111,718	179,157
-	26,016	258,759
-	1,897	29,128
-	-	188,287
219,967	-	219,967
-	143,240	184,282
<u>219,967</u>	<u>282,871</u>	<u>1,348,319</u>
<u>(45,718)</u>	<u>211,040</u>	<u>(19,855)</u>
51,450	194,263	467,515
-	(274,262)	(282,065)
<u>51,450</u>	<u>(79,999)</u>	<u>185,450</u>
5,732	131,041	165,595
15,479	467,837	557,408
<u>21,211</u>	<u>598,878</u>	<u>723,003</u>
-	65,643	65,643
-	7,865	7,865
-	98,414	98,414
-	15,617	10,535
21,211	-	21,211
-	411,339	465,731
-	-	8,500
-	-	45,104
<u>21,211</u>	<u>598,878</u>	<u>723,003</u>

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

As of and for the year ended June 30, 2015

	Enterprise Funds				Total
	Water	Sewer	Garbage	Non-Major Storm Water	
Operating receipts:					
Charges for service	\$ 482,449	291,660	234,560	31,641	1,040,310
Total operating receipts	<u>482,449</u>	<u>291,660</u>	<u>234,560</u>	<u>31,641</u>	<u>1,040,310</u>
Operating disbursements:					
Business type activities	<u>240,122</u>	<u>161,622</u>	<u>188,057</u>	<u>3,712</u>	<u>593,513</u>
Total operating disbursements	<u>240,122</u>	<u>161,622</u>	<u>188,057</u>	<u>3,712</u>	<u>593,513</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>242,327</u>	<u>130,038</u>	<u>46,503</u>	<u>27,929</u>	<u>446,797</u>
Non-operating receipts (disbursements)					
Interest on investments	140	140	169	-	449
Intergovernmental	23,146	45,216	-	-	68,362
Loan proceeds	98	5,000	-	-	5,098
Debt service	(105,270)	(80,369)	-	-	(185,639)
Capital projects	<u>(99,411)</u>	<u>(70,263)</u>	<u>(18,305)</u>	<u>(22,189)</u>	<u>(210,168)</u>
Net non-operating receipts (disbursements)	<u>(181,297)</u>	<u>(100,276)</u>	<u>(18,136)</u>	<u>(22,189)</u>	<u>(321,898)</u>
Excess (deficiency) of receipts over (under) disbursements	61,030	29,762	28,367	5,740	124,899
Operating transfers in	31,104	36,634	-	-	67,738
Operating transfers out	<u>(79,104)</u>	<u>(136,084)</u>	<u>(38,000)</u>	<u>-</u>	<u>(253,188)</u>
Net change in cash balances	13,030	(69,688)	(9,633)	5,740	(60,551)
Cash balances beginning of year	<u>303,568</u>	<u>222,033</u>	<u>73,427</u>	<u>2,832</u>	<u>601,860</u>
Cash balances end of year	<u>\$ 316,598</u>	<u>152,345</u>	<u>63,794</u>	<u>8,572</u>	<u>541,309</u>
<b>Cash Basis Fund Balances</b>					
Unrestricted:					
Reserved for capital projects	17,868	20,761	29,964	-	68,593
Unrestricted	<u>298,730</u>	<u>131,584</u>	<u>33,830</u>	<u>8,572</u>	<u>472,716</u>
Total cash basis fund balances	<u>\$ 316,598</u>	<u>152,345</u>	<u>63,794</u>	<u>8,572</u>	<u>541,309</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

**(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 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, 2015

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 the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances 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 is often subject to constraints 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 not paid from other funds.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Special Revenue:

The Employee Benefits Fund is used to account for the property tax levied to finance the payment of employee benefits.

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, 2015

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, 2015, disbursements exceeded the amounts budgeted in the general government, debt service and business type activities functions.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 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.

During the year ended June 30, 2015, the City invested its excess funds in a savings account and certificates of deposit.

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	175,000	20,975	145,060	52,155	320,060	73,130
2017	125,000	17,575	148,661	48,227	273,661	65,802
2018	125,000	14,675	146,061	44,269	271,061	58,944
2019	95,000	11,555	140,000	40,605	235,000	52,160
2020	95,000	10,320	144,000	36,955	239,000	47,275
2021-2025	480,000	28,753	778,000	126,285	1,258,000	155,038
2026-2030	-	-	436,000	41,935	436,000	41,935
2031-2033	-	-	168,000	5,915	168,000	5,915
Total	<u>\$ 1,095,000</u>	<u>103,853</u>	<u>2,105,782</u>	<u>396,346</u>	<u>3,200,782</u>	<u>500,199</u>

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Revenue Bonds/Notes

The City has pledged future water customer receipts, net of specified operating disbursements to repay \$873,000 in water revenue notes issued in September 2005 and October 2012. 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 2033. 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 \$793,900. For the current year, principal and interest paid and total customer net receipts were \$55,280 and \$242,327, 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 \$657,470. For the current year, principal and interest paid and total customer net receipts were \$46,800 and \$242,327, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$1,245,000 in Sewer Revenue Bonds issued in May 2005 and October 2012. Proceeds from the notes provided financing for sewer improvements. The notes are payable solely from sewer customer net receipts and are payable through 2033. 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 \$1,004,995. For the current year, principal and interest paid and total customer net receipts were \$78,092 and \$130,038, 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, 2015

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 \$45,763. For the current year, principal and interest paid totaled \$18,305.

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, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	<u>19,642</u>
Less amount representing interest	<u>(721)</u>
Net present value of minimum lease payments	<u>\$ 18,921</u>

Payments under the agreement totaled \$19,642 for the year ended June 30, 2015.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

**(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early- retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formulas used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30<sup>th</sup>, 2012, the highest three-year average salary as of the date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012 the reduction is .025 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$45,632.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions -

At June 30, 2015, the City's liability for its proportionate share collective net pension liability totaled \$182,155. The collective net pension liability was measured as of June 30, 2014, and total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net position liability was based on the City's share of contributions to the pension plan relative to the contribution of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0045930 percent, which was a decrease of 0.0007267 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$18,654, \$23,356 and \$145,835 respectively.

Actuarial Assumptions – The total pension liability in June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5 percent, compounded annually, net investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Us Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net position liability calculated using discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$ 432,973	\$ 182,155	\$ (29,471)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(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 10 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 \$359 for single coverage, \$793 for 2-person coverage, member plus children and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$80,389 and plan members eligible for benefits contributed \$10,395 to the plan.

**(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, 2015 is \$23,600, primarily relating to the General Fund.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2015

**(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, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 80,000
	Emergency	7,802
	Enterprise:	
	Water	48,000
	Sewer	48,000
	Garbage	<u>38,000</u>
		221,802
Debt Service	Enterprise:	
	Sewer	<u>51,450</u>
Capital Projects: Rise Project	Special Revenue: TIF	<u>90,718</u>
Capital Projects: Main & Bissell	Capital Projects	
	East St. & Veterans Dr.	74,262
	TIF	9,283
	Local Option Sales Tax	<u>20,000</u>
		<u>103,545</u>

City of Laurens, Iowa  
Notes to Financial Statements  
June 30, 2014

Enterprise: East St. & Veterans Dr.	Enterprise: Water	<u>31,104</u>
Enterprise: Sewer Disposal	Enterprise: Sewer	<u>36,634</u>
Total		<u>\$ 535,253</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 Special Revenue Fund, Employee Benefits had a deficit balance of \$5,082 at June 30, 2015. This should be eliminated upon receipt of property taxes.

**(10) Construction Commitments**

In April, 2015, the City committed to a construction project for West Main & Bissell for approximately \$1.1million. As of June 30, 2015, \$128,000 has been expended on this project.

**(11) Subsequent Events**

The City has evaluated subsequent events March 25, 2016, the date which the financial statements were available to be issued.

On July 6<sup>th</sup>, 2015 the City approved issuance of Sewer Revenue Capital Loan Notes not to exceed \$37,000.

On July 20<sup>th</sup>, 2015 the City approved the sale of General Obligation Urban Renewal Notes in the amount of \$630,000.

## **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, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 593,653	-
Tax increment financing	100,432	-
Other city tax	120,436	-
Licenses and permits	3,361	-
Use of money and property	29,993	449
Intergovernmental	249,592	68,362
Charges for service	61,606	1,040,310
Special assessments	1,082	-
Miscellaneous	168,309	-
Total receipts	<u>1,328,464</u>	<u>1,109,121</u>
Disbursements:		
Public safety	288,739	-
Public works	179,157	-
Culture and recreation	258,759	-
Community and economic development	29,128	-
General government	188,287	-
Debt service	219,967	-
Capital projects	184,282	-
Business type activities	-	989,320
Total disbursements	<u>1,348,319</u>	<u>989,320</u>
Excess (deficiency) of receipts over (under) disbursements	(19,855)	119,801
Other financing sources, net	<u>185,450</u>	<u>(180,352)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	165,595	(60,551)
Balances beginning of year	<u>557,408</u>	<u>601,860</u>
Balances end of year	<u>\$ 723,003</u>	<u>541,309</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
593,653	589,060	596,789	(3,136)
100,432	100,000	100,000	432
120,436	126,719	126,844	(6,408)
3,361	2,550	2,930	431
30,442	25,090	28,810	1,632
317,954	201,124	280,258	37,696
1,101,916	2,144,187	1,152,263	(50,347)
1,082	-	880	202
168,309	87,500	160,258	8,051
<u>2,437,585</u>	<u>3,276,230</u>	<u>2,449,032</u>	<u>(11,447)</u>
288,739	373,784	375,040	86,301
179,157	196,150	214,054	34,897
258,759	245,721	261,054	2,295
29,128	34,500	56,382	27,254
188,287	176,740	188,160	(127)
219,967	219,867	219,897	(70)
184,282	-	216,237	31,955
989,320	913,190	961,007	(28,313)
<u>2,337,639</u>	<u>2,159,952</u>	<u>2,491,831</u>	<u>154,192</u>
99,946	1,116,278	(42,799)	142,745
<u>5,098</u>	<u>-</u>	<u>28,245</u>	<u>(23,147)</u>
105,044	1,116,278	(14,554)	119,598
<u>1,159,268</u>	<u>1,010,803</u>	<u>1,010,803</u>	<u>148,465</u>
<u>1,264,312</u>	<u>2,127,081</u>	<u>996,249</u>	<u>268,063</u>

City of Laurens, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 decreased budgeted revenues by 827,198 and increased budgeted disbursements by \$331,879, other financing sources by \$127,214 and transfers out by \$98,969. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the general government, debt service and business type activities functions.

City of Laurens, Iowa

Schedule of City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Fiscal Year\*

(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.004593%
City's proportionate share of the net pension liability	\$ 182
City's covered-employee payroll	\$ 519
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.07%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Laurens, Iowa  
Schedule of City's Contributions

Iowa Public Employees' Retirement System  
Last 8 Fiscal Years  
(In Thousands)

Other Information

	2015	2014
Statutorily required contribution	\$ 46	44
Contributions in relation to the statutorily required contribution	(46)	(44)
Contribution deficiency (excess)	\$ -	-
City's covered-employee payroll	\$ 541	519
Contributions as a percentage of covered-employee payroll	8.50%	8.48%

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
42	36	35	40	30	29
<u>(42)</u>	<u>(36)</u>	<u>(35)</u>	<u>(40)</u>	<u>(30)</u>	<u>(29)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
506	482	499	467	483	489
8.30%	7.47%	7.01%	8.57%	6.21%	5.93%

City of Laurens, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between ages 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

City of Laurens, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date if the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## **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, 2015

	Special Revenue			
	Police <u>Special</u>	TIF	Road <u>Use</u>	Local Option <u>Sales Tax</u>
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	100,432	-	-
Other city tax	-	-	-	94,423
Use of money and property	-	-	-	-
Intergovernmental	-	-	130,810	-
Miscellaneous	34	-	-	-
Total receipts	<u>34</u>	<u>100,432</u>	<u>130,810</u>	<u>94,423</u>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	111,718	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>111,718</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>34</u>	<u>100,432</u>	<u>19,092</u>	<u>94,423</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(100,000)	-	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Change in cash balances	34	432	19,092	(5,577)
Cash balances beginning of year	4,154	808	79,322	61,115
Cash balances end of year	<u>\$ 4,188</u>	<u>1,240</u>	<u>98,414</u>	<u>55,538</u>
<b>Cash Basis Fund Balances</b>				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Library trust	-	-	-	-
Restricted for:				
Streets	-	-	98,414	-
Capital projects	-	-	-	-
Restricted for other purposes	4,188	1,240	-	55,538
Total cash basis fund balances	<u>\$ 4,188</u>	<u>1,240</u>	<u>98,414</u>	<u>55,538</u>

See accompanying independent auditor's report.

Special Revenue					Capital Projects				
<u>Cemetery</u> <u>Road Paving</u>	<u>Sister</u> <u>City</u>	<u>Quasqui-</u> <u>centennial</u>	<u>Hometown</u> <u>Pride</u>	<u>Pool</u> <u>Committee</u>	<u>Capital</u> <u>Equipment</u>	<u>East St. and</u> <u>Veteran's Drive</u>	<u>Main and</u> <u>Bissel</u>	<u>FEMA</u>	
-	-	-	-	-	17,538	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	495	-	-	-	
-	-	-	-	-	2,911	-	-	-	
-	-	-	-	-	-	-	-	30,870	
<u>697</u>	<u>3,222</u>	-	<u>18,725</u>	<u>93,434</u>	-	-	-	-	
<u>697</u>	<u>3,222</u>	-	<u>18,725</u>	<u>93,434</u>	<u>20,944</u>	-	-	<u>30,870</u>	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
1,248	-	-	24,338	430	-	-	-	-	
-	1,897	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	24,442	87,928	30,870	
<u>1,248</u>	<u>1,897</u>	-	<u>24,338</u>	<u>430</u>	-	<u>24,442</u>	<u>87,928</u>	<u>30,870</u>	
<u>(551)</u>	<u>1,325</u>	-	<u>(5,613)</u>	<u>93,004</u>	<u>20,944</u>	<u>(24,442)</u>	<u>(87,928)</u>	-	
-	-	-	-	-	-	-	103,545	-	
-	-	-	-	-	-	(74,262)	-	-	
-	-	-	-	-	-	(74,262)	103,545	-	
<u>(551)</u>	<u>1,325</u>	-	<u>(5,613)</u>	<u>93,004</u>	<u>20,944</u>	<u>(98,704)</u>	<u>15,617</u>	-	
<u>2,446</u>	<u>394</u>	<u>105</u>	<u>7,770</u>	<u>40,561</u>	<u>189,988</u>	<u>98,704</u>	-	-	
<u>1,895</u>	<u>1,719</u>	<u>105</u>	<u>2,157</u>	<u>133,565</u>	<u>210,932</u>	-	<u>15,617</u>	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	15,617	-	
<u>1,895</u>	<u>1,719</u>	<u>105</u>	<u>2,157</u>	<u>133,565</u>	<u>210,932</u>	-	-	-	
<u>1,895</u>	<u>1,719</u>	<u>105</u>	<u>2,157</u>	<u>133,565</u>	<u>210,932</u>	-	<u>15,617</u>	-	

Schedule I

Rise Project	Permanent		Total
	Cemetery Perpetual Care	Library Trust	
-	-	-	17,538
-	-	-	100,432
-	-	-	94,918
-	-	-	2,911
-	-	-	161,680
-	320	-	116,432
-	320	-	493,911
-	-	-	-
-	-	-	111,718
-	-	-	26,016
-	-	-	1,897
-	-	-	-
-	-	-	143,240
-	-	-	282,871
-	320	-	211,040
90,718	-	-	194,263
-	-	-	(274,262)
90,718	-	-	(79,999)
90,718	320	-	131,041
(90,718)	65,323	7,865	467,837
-	65,643	7,865	598,878
-	65,643	-	65,643
-	-	7,865	7,865
-	-	-	98,414
-	-	-	15,617
-	-	-	411,339
-	65,643	7,865	598,878

City of Laurens, Iowa  
 Schedule of Indebtedness  
 Year ended June 30, 2015

<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
Sewer	Oct. 26, 2012	1.75%	438,000
Water	Sep 9, 2005	3.00%	356,000
Water -Non-forgivable	Dec 16, 2009	3.00%	695,000
Water	Oct. 26, 2012	1.75%	517,000
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>
205,000	-	50,000	155,000	8,720	-
100,000	-	50,000	50,000	1,450	-
<u>965,000</u>	<u>-</u>	<u>75,000</u>	<u>890,000</u>	<u>14,055</u>	<u>-</u>
<u>\$ 1,270,000</u>	<u>-</u>	<u>175,000</u>	<u>1,095,000</u>	<u>24,225</u>	<u>-</u>
492,000	-	38,000	454,000	14,760	-
415,000	5,000	18,000	402,000	7,332	-
220,000	-	18,000	202,000	6,600	-
560,000	-	30,000	530,000	16,800	-
495,902	98	22,000	474,000	8,680	-
<u>60,268</u>	<u>-</u>	<u>16,486</u>	<u>43,782</u>	<u>1,819</u>	<u>-</u>
<u>\$ 2,243,170</u>	<u>5,098</u>	<u>142,486</u>	<u>2,105,782</u>	<u>55,991</u>	<u>-</u>

City of Laurens, Iowa

Bond and Note Maturities

June 30, 2015

General Obligation Notes							
Year Ending <u>June 30,</u>	Street Improvements		Sewer Lagoon		East Street and Veterans Road		<u>Total</u>
	Issued August 20, 2008		Issued February 24, 2012		Issued November 20, 2012		
	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>	
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>\$ 155,000</u>		<u>\$ 50,000</u>		<u>\$ 890,000</u>	<u>1,095,000</u>

Revenue Bonds						
Year Ending <u>June 30,</u>	Water		Water -Non-forgivable		Water	
	Issued May 23, 2005		Issued December 16, 2009		Issued October 26, 2012	
	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>
2016	3.00	18,000	3.00	30,000	1.75	22,000
2017	3.00	18,000	3.00	31,000	1.75	23,000
2018	3.00	19,000	3.00	33,000	1.75	23,000
2019	3.00	19,000	3.00	34,000	1.75	24,000
2020	3.00	20,000	3.00	35,000	1.75	24,000
2021	3.00	20,000	3.00	36,000	1.75	24,000
2022	3.00	21,000	3.00	37,000	1.75	25,000
2023	3.00	22,000	3.00	38,000	1.75	25,000
2024	3.00	22,000	3.00	39,000	1.75	26,000
2025	3.00	23,000	3.00	41,000	1.75	26,000
2026	-	-	3.00	42,000	1.75	27,000
2027	-	-	3.00	43,000	1.75	28,000
2028	-	-	3.00	45,000	1.75	28,000
2029	-	-	3.00	46,000	1.75	29,000
2030	-	-	-	-	1.75	29,000
2031	-	-	-	-	1.75	30,000
2032	-	-	-	-	1.75	30,000
2033	-	-	-	-	1.75	31,000
Total		<u>\$ 202,000</u>		<u>\$ 530,000</u>		<u>\$ 474,000</u>

See accompanying independent auditor's report.

## Revenue Bonds

Sewer		Sewer		Garbage		
Issued September 9, 2005		Issued October 26, 2012		Issued December 6, 2012		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
3.00	39,000	1.75	19,000	3.40	17,060	145,060
3.00	40,000	1.75	19,000	3.40	17,661	148,661
3.00	42,000	1.75	20,000	3.40	9,061	146,061
3.00	43,000	1.75	20,000	-	-	140,000
3.00	45,000	1.75	20,000	-	-	144,000
3.00	46,000	1.75	21,000	-	-	147,000
3.00	47,000	1.75	21,000	-	-	151,000
3.00	49,000	1.75	22,000	-	-	156,000
3.00	51,000	1.75	22,000	-	-	160,000
3.00	52,000	1.75	22,000	-	-	164,000
-	-	1.75	23,000	-	-	92,000
-	-	1.75	23,000	-	-	94,000
-	-	1.75	24,000	-	-	97,000
-	-	1.75	24,000	-	-	99,000
-	-	1.75	25,000	-	-	54,000
-	-	1.75	25,000	-	-	55,000
-	-	1.75	26,000	-	-	56,000
-	-	1.75	26,000	-	-	57,000
	<u>\$ 454,000</u>		<u>\$ 402,000</u>		<u>\$ 43,782</u>	<u>2,105,782</u>

City of Laurens, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:					
Property tax	\$ 593,653	\$ 494,870	438,795	424,007	406,688
Tax increment financing collections	100,432	100,799	91,809	84,944	81,296
Other city tax	120,436	129,482	132,503	153,376	89,535
Licenses and permits	3,361	2,450	4,705	2,930	18,138
Use of money and property	29,993	24,983	26,445	21,386	25,247
Intergovernmental	249,592	210,465	208,188	204,094	217,780
Charges for service	61,606	54,230	87,833	62,622	85,649
Special assessments	1,082	242	5,416	9,350	7,603
Miscellaneous	<u>168,309</u>	<u>136,580</u>	<u>94,526</u>	<u>95,527</u>	<u>127,183</u>
 Total	 <u>\$ 1,328,464</u>	 <u>\$ 1,154,101</u>	 <u>1,090,220</u>	 <u>1,058,236</u>	 <u>1,059,119</u>
Disbursements:					
Operating					
Public safety	\$ 288,739	\$ 273,663	273,814	291,118	266,660
Public works	179,157	143,694	138,315	218,177	236,607
Culture and recreation	258,759	273,537	259,378	279,341	259,904
Community and economic development	29,128	29,889	13,834	20,338	3,839
General government	188,287	120,150	113,279	149,222	170,817
Debt service	219,967	197,975	159,047	138,170	143,445
Capital projects	<u>184,282</u>	<u>947,749</u>	<u>114,264</u>	<u>43,929</u>	<u>-</u>
 Total	 <u>\$ 1,348,319</u>	 <u>\$ 1,986,657</u>	 <u>1,071,931</u>	 <u>1,140,295</u>	 <u>1,081,272</u>

See accompanying independent auditor's report.

Schedule 4

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
378,858	390,901	369,707	335,650	341,730
36,522	-	-	-	-
111,011	75,082	91,562	120,488	93,577
16,700	20,736	21,099	1,835	2,765
32,926	20,649	51,850	52,651	67,629
265,345	237,808	378,407	292,406	885,985
69,769	63,610	81,241	218,658	247,509
6,034	5,483	7,988	8,606	12,856
80,473	63,037	99,235	102,338	52,333
<u>997,638</u>	<u>877,306</u>	<u>1,101,089</u>	<u>1,132,632</u>	<u>1,704,384</u>
258,637	283,976	268,583	345,969	316,591
175,369	219,462	193,569	283,991	308,145
210,061	271,845	211,256	263,507	175,591
16,211	23,720	66,721	6	69
179,533	184,377	257,157	126,133	76,955
143,275	160,521	148,200	148,403	148,253
57	377,608	318,446	417,102	734,794
<u>983,143</u>	<u>1,521,509</u>	<u>1,463,932</u>	<u>1,585,111</u>	<u>1,760,398</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, 2015, and the related Notes to Financial Statements, which collectively comprise the primary government's basic financial statements, and have issued our report thereon dated March 25, 2016. 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 of 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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item I-A-15 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurens' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2015, 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 financial statements 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 results 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

March 25, 2016

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-15     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, 2015

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

II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the general government, 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 the proper function 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-15 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-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-15 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.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

- II-F-15 Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published, include the total expenditures from each city fund and a summary of all receipts, within fifteen days of the meeting. Minutes for two meetings tested were not published within fifteen days of the meeting, one meeting tested did not include disbursement totals for each fund in the publication, a summary of all receipts was not included in publications throughout the year.
- Recommendation – City officials should review their procedures to ensure all items required by the Code of Iowa are published within fifteen days and publications include disbursement totals for each fund and a summary of all receipts.
- Response – We will review our procedures to ensure all minutes are published within fifteen days and include all required information.
- Conclusion – Response accepted.
- II-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted. However, the City has a written investment policy has the old code section. The investment policy should be established per Chapter 12B.10B of the Code of Iowa.
- Recommendation – The City should update a written investment policy established per Chapter 12B.10B of the Code of Iowa.
- Response – We will update our investment policy at the next council meeting.
- Conclusion – Response accepted.
- II-H-15 Revenue Bonds and Notes – The City has complied with all of the revenue bond and note provisions.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

II-I-15 Financial Condition – There was one fund in a deficit position as of June 30, 2015.

Recommendation – The City should review the deficit.

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

Conclusion – Response accepted.

II-J-15 Notice of Public Hearing for Public Improvements – The City published a notice of public hearing for the West Main & Bissell Street project as required by Chapters 26.12 and 362.3 of the Code of Iowa. However, this publication was published 26 days before the public hearing and should have been published 20 days before the public hearing.

Recommendation – City officials should review their procedures to insure this is done timely in the future.

Response – We relied on our engineering firm to make sure this was correctly handled. We will make sure they understand the publication requirements in the future.

Conclusion – Response accepted.

II-J-15 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 debt certified on the urban renewal annual report was overstated as a planned interfund loan was not certified as debt.

Recommendation – The City should ensure the information certified on the urban renewal annual report is accurate.

Response – We have been in contact with our bonding attorney and this will be corrected going forward.

Conclusion – Response accepted.