

**CITY OF LAKE MILLS**

Lake Mills, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2009

With Independent Auditor's Reports

**CITY OF LAKE MILLS**  
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**CITY OF LAKE MILLS**

City Officials  
June 30, 2009

Robert Schreiner	Mayor	January 2010
Candy Hanna	Mayor Pro-Tem	January 2010
LeAnn Hagen	Council Member	January 2010
Steve Kvale	Council Member	January 2010
Duane Skellenger	Council Member	January 2012
Tony Sorenson	Council Member	January 2012
Sheryl Bell	Clerk-Treasurer	Indefinite
Richard Schwarm	City Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the City Council  
City of Lake Mills, Iowa

I 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 Lake Mills, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents of this report. These financial statements are the responsibility of the City of Lake Mills' management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described more fully in Note 1, the financial statements referred to above have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lake Mills, Iowa, as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated November 4, 2009 on my consideration of the City of Lake Mills' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 22 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Mills' basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 25 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

S/ Stanley E. Siebke

Urbandale, Iowa  
November 4, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the City of Lake Mills' Comprehensive Annual Financial Report presents management's discussion and analysis of the City's fiscal performance during the fiscal year that ended on June 30, 2009. It should be read in conjunction with the City's financial statements, which immediately follow this section.

### **2009 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities decreased approximately 2%, or \$50,892, from Fiscal Year 2008 to Fiscal Year 2009. A grant received in FY 2008 for the First Time Homebuyer Program and decreased interest revenue in FY 2009, were the major reasons for the decrease in FY 2009.
- Disbursements of the City's governmental activities increased approximately 2%, or \$56,254, in Fiscal 2009 from Fiscal 2008. The increase was mainly due to expenditures for purchase of a Police Car, the final payment for the Fire Truck and the new shelter house and sidewalks in Oakwood Park.
- The City's total cash basis net assets decreased 2%, or \$129,515, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$307,051 and the assets of the business type activities increased by \$177,536.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **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, the reader 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, 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 water, sewer electric system and storm water. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include 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 four Enterprise Funds to provide separate information for the water, sewer, electric and storm water funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$2,310,059 to \$2,003,008 for Fiscal Year 2009. The analysis that follows focuses on the changes in cash balances for governmental activities.

### City of Lake Mills' Changes in Net Assets Governmental Activities

	<u>2009</u>	<u>2008</u>
Receipts & Transfers:		
Program Receipts:		
Charges for Service	\$ 269,519	\$ 262,844
Operating Grants and Contributions	288,905	482,408
Capital Grants and Contributions	143,457	48,523
General Receipts:		
Property tax levied for:		
General purposes	460,330	435,176
Tax increment financing	875,568	839,293
Debt service	9,995	10,540
Local option sales tax	187,675	146,975
Unrestricted interest on investments	62,164	120,824
Sale of assets	2,650	5,950
Proceeds of Long Term Debt	0	99,000
Miscellaneous	29,799	28,421
Transfers	(260,233)	53,153
Total Receipts and Transfers	<u>2,069,829</u>	<u>2,533,107</u>
Disbursements		
Public Safety	606,646	537,552
Public Works	423,272	490,300
Culture and Recreation	388,546	375,441
Community and Economic Development	91,216	316,102
General Government	80,646	95,505
Debt Service	456,983	442,778
Capital Projects	329,571	62,948
Total Disbursements	<u>2,376,880</u>	<u>2,320,626</u>
Increase in Cash Basis Net Assets	(307,051)	212,481
Cash Basis Net Assets beginning of year	<u>2,310,058</u>	<u>2,097,577</u>
Cash Basis Net Assets end of year	<u>\$ 2,003,007</u>	<u>2,310,058</u>

The City's total receipts & transfers for governmental activities decreased approximately 18%, or \$463,278. The decrease in receipts & transfers was due to: Transfer of funds from the Streetscape Fund back to the Electric Fund, transfer from TIF Fund to the Water Fund for the New Water Treatment Plant, and decreased interest revenue.

The total cost of all programs and services increased by approximately 2% or \$56,254. Public Safety was up approximately \$69,094 primarily due to the final payment for the new fire truck. Public Works was down approximately \$67,000 due to purchase of a new street sweeper, new dump truck and the City's portion of the new street in Windview Heights Subdivision in Fiscal 2008. Culture and Recreation was up approximately \$13,000 due to Park expenditures for a new shelter house and sidewalks in Oakwood Park. Community and Economic Development was down approximately \$224,000 due to the First Time Homebuyer Program in Fiscal 2008. Debt Service was up approximately \$14,000 primarily due to increased scheduled principal payments on debt. Capital Projects were up approximately \$266,000 due to the North 2<sup>nd</sup> Avenue Reconstruction Project.

The City property tax rate decreased slightly for 2009. The overall taxable valuation for the City increased slightly due to increased property values.

The cost of all governmental activities this year was \$2.38 million compared to \$2.32 million last year. However, as shown in the Statement of Activities and Net Assets on pages 11-12, the amount of property taxes used to finance these activities was only \$1.346 million. Other funding came from fees paid by those directly benefited from the programs (\$269,519), by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$432,362). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 from \$793,775 to \$701,881, principally due to the First Time Homebuyer Grant and Park Improvements Grant received in 2008. The City paid for the remaining "public benefit" portion of governmental activities with \$1,345,893 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

**City of Lake Mills' Changes in Cash Basis Net Assets  
Business Type Activities**

	<u>2009</u>	<u>2008</u>
Receipts:		
Charges for service:		
Water	\$ 277,424	\$ 282,414
Sewer	456,002	361,858
Electric	2,619,403	2,862,256
Storm Water	54,131	51,325
Operating grants, contributions and restricted interest	<u>1,595,802</u>	<u>302,459</u>
Total Receipts	<u>5,002,762</u>	<u>3,860,312</u>
Disbursements and Transfers:		
Water	1,727,245	309,422
Sewer	215,355	346,487
Electric	3,032,565	3,050,284
Storm Water	110,294	16,442
Transfers	<u>(260,233)</u>	<u>53,153</u>
Total Disbursements and Transfers	<u>4,825,226</u>	<u>3,775,788</u>
Increase (decrease) in Cash Basis Net Assets	177,536	84,524
Cash Basis Net Assets beginning of year	<u>6,319,953</u>	<u>6,235,429</u>
Cash Basis Net Assets end of year	<u>\$ 6,497,489</u>	<u>\$ 6,319,953</u>

Total business type activities receipts for the fiscal year were \$5.0 million compared to \$3.860 million last year. This increase was due to proceeds of long-term debt, consisting of the SRF Loan for the Water Treatment Plant and Bond Proceeds for the Storm Water Project. Total disbursements and transfers for the fiscal year were \$4.825 million compared to \$3.776 million last year. The main reason for this increase was increases in: Purchased Current, Repair & Maintenance of Electric and Sewer Lines, New Municipal Building and New Water Treatment Plant. The cash balance increased by \$177,536. The major contributing factors to the increase in cash balance were: leachate revenue that is not used for normal operating expenditures and proceeds from bond issue for Storm Water Project.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Lake Mills completed the year, its governmental funds reported a combined fund balance of \$2,003,007, a decrease of \$307,051 from last year's total of \$2,310,058. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$25,308 from the prior year to \$1,361,772. The major reason for this increase was due to funds that were received in Fiscal 2009 that will be spent in Fiscal 2010 and future maintenance.
- The Road Use Tax Fund cash balance increased by \$10,881 to \$218,131 during the fiscal year. The increase is due to stayed within budget on expenditures and received slightly over budget on revenue.
- The Urban Renewal Tax Increment Fund cash balance increased by \$28,062 to \$290,651 during the fiscal year. This balance is accumulating to make it possible for early call of the General Obligation Tax Increment Bonds for the Aquatic Center and Streetscape Project.

- The Debt Service Fund cash balance stayed constant at \$57,211 during the fiscal year.
- The Capital Projects Fund cash balance decreased by \$399,514 to (\$119,058) during the fiscal year. The decrease is due to expenditures for the North 2<sup>nd</sup> Avenue Reconstruction Project. The negative balance will be recovered through assessments for the project.
- **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**
- The Water Fund cash balance decreased by \$696,521 to \$501,330, due primarily to the water treatment plant project, which was planned to be financed partially from reserve.
- The Sewer Fund cash balance increased by \$198,984 to \$808,029, due primarily to receipt of leachate revenue and an increase in rates to help cover maintenance and future upgrades to the infrastructure.
- The Electric Fund cash balance decreased by \$214,058 to \$4,264,116 primarily due to expenditures for the New Municipal Building, and purchase of a digger derrick truck.
- The Storm Water Fund cash balance increased by \$889,131 to \$924,014, due primarily to bond proceeds for the Storm Water Project.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2009 and resulted in an increase in disbursements related to the use of grants, donations and memorials that were received, unanticipated repairs, the Storm Water Project and New Water Treatment Plant.

**DEBT ADMINISTRATION**

On June 30, 2009, the City had \$3,352,000 in bonds and other long-term debt, compared to \$2,320,000 last year, as shown below.

**City of Lake Mills' Outstanding Debt**

	As of	
	6/30/2009	6/30/2008
General Obligation Bonds	\$ 2,840,000	\$ 2,320,000
Revenue Bonds	512,000	0
Total	<u>\$ 3,352,000</u>	<u>\$ 2,320,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation debt of \$2,840,000 is significantly below its constitutional debt limit of \$5,156,874.

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

The City of Lake Mills' elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 1999 – 2009. The City / County's unemployment rate of 9.5 percent is higher than the State's unemployment rate of 6.8 percent and is similar to the National rate of 9.7 percent.

Inflation in the State continues to be similar to the National Consumer Price Index which showed no change during the past year.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the 2010 operating budget are \$8.052 million, a decrease of 9.8% under the 2009 actual. Budgeted disbursements for 2010 decreased approximately 13.2% from the 2009 actual to \$7.863 million. The main reason for the decrease in amounts available and budgeted disbursements are: the North Water Treatment Plant Project, the North 2<sup>nd</sup> Avenue Reconstruction Project, the New Municipal Building and the purchase of a new Fire Truck were all completed in 2009, while the only major project for 2010 is the Storm Sewer Project.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$189,000 by the close of 2010.

## **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 Sheryl Bell, City Clerk, 105 West Main Street, Lake Mills, Iowa.

**CITY OF LAKE MILLS**  
Statement of Activities and Net Assets - Cash Basis  
As of and For the Year Ended June 30, 2009

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Function/Programs:				
Governmental activities:				
Public safety	\$ 606,646	6,899	26,449	37,000
Public works	423,272	173,279	189,113	0
Culture and recreation	388,546	80,922	28,458	27,380
Community and economic development	91,216	0	81,679	0
General government	80,646	8,419	0	0
Debt service	456,983	0	0	0
Capital projects	329,571	0	0	42,283
Total Governmental Activities	<u>2,376,880</u>	<u>269,519</u>	<u>325,699</u>	<u>106,663</u>
Business type activities:				
Water	1,727,245	277,424	37,563	0
Sewer	215,355	456,002	8,404	0
Electric	3,032,565	2,619,403	125,008	0
Storm water	110,294	54,131	627	0
Total Business Type Activities	<u>5,085,459</u>	<u>3,406,960</u>	<u>171,602</u>	<u>0</u>
Total	<u>\$ 7,462,339</u>	<u>3,676,479</u>	<u>497,301</u>	<u>106,663</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Proceeds of long-term debt				
Sale of assets				
Miscellaneous				
Transfers				
Total General Receipts				
Change in Cash Basis Net Assets				
Cash Basis Net Assets at Beginning of Year				
Cash Basis Net Assets at End of Year				
Cash Basis Net Assets:				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Equipment purchase				
Unrestricted				
Total Cash Basis Net Assets				

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE MILLS**  
Statement of Activities and Net Assets - Cash Basis  
As of and For the Year Ended June 30, 2009

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

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
(536,298)	0	(536,298)
(60,880)	0	(60,880)
(251,786)	0	(251,786)
(9,537)	0	(9,537)
(72,227)	0	(72,227)
(456,983)	0	(456,983)
<u>(287,288)</u>	<u>0</u>	<u>(287,288)</u>
<u>(1,674,999)</u>	<u>0</u>	<u>(1,674,999)</u>
0	(1,412,258)	(1,412,258)
0	249,051	249,051
0	(288,154)	(288,154)
<u>0</u>	<u>(55,536)</u>	<u>(55,536)</u>
<u>0</u>	<u>(1,506,897)</u>	<u>(1,506,897)</u>
<u>(1,674,999)</u>	<u>(1,506,897)</u>	<u>(3,181,896)</u>
460,330	0	460,330
875,568	0	875,568
9,995	0	9,995
187,675	0	187,675
62,164	0	62,164
0	1,424,200	1,424,200
2,650	0	2,650
29,799	0	29,799
(260,233)	260,233	0
<u>1,367,948</u>	<u>1,684,433</u>	<u>3,052,381</u>
(307,051)	177,536	(129,515)
2,310,058	6,319,953	8,630,011
<u>\$ 2,003,007</u>	<u>6,497,489</u>	<u>8,500,496</u>
\$ 218,131	0	218,131
290,651	0	290,651
57,211	0	57,211
0	808,848	808,848
1,437,014	5,688,641	7,125,655
<u>\$ 2,003,007</u>	<u>6,497,489</u>	<u>8,500,496</u>

**CITY OF LAKE MILLS**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and For the Year Ended June 30, 2009

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF</u>			
Receipts:						
Property tax	\$ 315,994	0	0	9,995	0	144,336
TIF revenues	0	0	875,568	0	0	0
Other city taxes	187,675	0	0	0	0	0
Licenses and permits	3,163	0	0	0	0	0
Use of money and property	67,391	0	712	0	0	2,710
Intergovernmental	62,957	178,987	0	0	36,794	0
Charges for services	243,213	0	0	0	0	0
Special assessments	0	0	14,354	0	40,617	0
Miscellaneous	98,154	0	2,069	0	1,666	43,707
<b>Total Receipts</b>	<b>978,547</b>	<b>178,987</b>	<b>892,703</b>	<b>9,995</b>	<b>79,077</b>	<b>190,753</b>
Disbursements:						
Operating:						
Public safety	470,562	0	0	0	0	0
Public works	187,690	158,256	57,818	0	0	9,658
Culture and recreation	338,305	0	0	0	0	200
Community and economic development	0	0	77,216	0	13,755	245
General government	72,549	0	0	0	0	8,097
Capital outlay:						
Public safety	136,084	0	0	0	0	0
Public works	0	9,850	0	0	0	0
Culture and recreation	50,041	0	0	0	0	0
Debt service	0	0	0	456,983	0	0
Capital projects	0	0	0	0	329,571	0
<b>Total Disbursements</b>	<b>1,255,231</b>	<b>168,106</b>	<b>135,034</b>	<b>456,983</b>	<b>343,326</b>	<b>18,200</b>
Excess (Deficit) of Receipts over (under) Disbursements	(276,684)	10,881	757,669	(446,988)	(264,249)	172,553
Other Financing Sources (Uses):						
Operating transfers in	301,992	0	161,198	446,983	257,685	0
Operating transfers out	0	0	(890,805)	0	(392,950)	(144,336)
	301,992	0	(729,607)	446,983	(135,265)	(144,336)
Net Change in Cash Balances	25,308	10,881	28,062	(5)	(399,514)	28,217
Cash Balances at Beginning of Year	1,336,464	207,250	262,589	57,216	280,456	166,083
Cash Balances at End of Year	<u>\$ 1,361,772</u>	<u>218,131</u>	<u>290,651</u>	<u>57,211</u>	<u>(119,058)</u>	<u>194,300</u>
Cash Basis Fund Balances:						
Reserved:						
Debt Service	\$ 0	0	0	57,211	0	0
Unreserved:						
General fund	1,361,772	0	0	0	0	0
Special revenue funds	0	218,131	290,651	0	0	166,757
Capital projects fund	0	0	0	0	(119,058)	0
Permanent fund	0	0	0	0	0	27,543
	<u>\$ 1,361,772</u>	<u>218,131</u>	<u>290,651</u>	<u>57,211</u>	<u>(119,058)</u>	<u>194,300</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE MILLS**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and For the Year Ended June 30, 2009

Total

470,325  
875,568  
187,675  
3,163  
70,813  
278,738  
243,213  
54,971  
145,596

2,330,062

470,562  
413,422  
338,505  
91,216  
80,646

136,084  
9,850  
50,041  
456,983  
329,571

2,376,880

(46,818)

1,167,858  
(1,428,091)

(260,233)

(307,051)

2,310,058

2,003,007

57,211

1,361,772  
675,539  
(119,058)  
27,543

2,003,007

**CITY OF LAKE MILLS**  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Proprietary Funds  
As of and For the Year Ended June 30, 2009

	<u>Enterprise Funds</u>				<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Storm Water</u>	
Operating Receipts:					
Charges for services	\$ 276,264	175,539	2,570,682	49,531	3,072,016
Miscellaneous	1,160	280,463	48,721	4,600	334,944
Total Operating Receipts	<u>277,424</u>	<u>456,002</u>	<u>2,619,403</u>	<u>54,131</u>	<u>3,406,960</u>
Disbursements:					
Operating:					
Business type activities	213,083	215,355	2,622,301	25,168	3,075,907
Capital outlay:					
Business type activities	1,484,195	0	410,264	85,126	1,979,585
Total Operating Disbursements	<u>1,697,278</u>	<u>215,355</u>	<u>3,032,565</u>	<u>110,294</u>	<u>5,055,492</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>(1,419,854)</u>	<u>240,647</u>	<u>(413,162)</u>	<u>(56,163)</u>	<u>(1,648,532)</u>
Non-Operating Receipts (Disbursements):					
Use of money and property	37,563	8,404	125,008	627	171,602
Proceeds of long-term debt	529,600	0	0	894,600	1,424,200
Debt service	(29,967)	0	0	0	(29,967)
Total Non-Operating Receipts (Disbursements)	<u>537,196</u>	<u>8,404</u>	<u>125,008</u>	<u>895,227</u>	<u>1,565,835</u>
Operating Transfers In (Out)	<u>186,137</u>	<u>(50,067)</u>	<u>74,096</u>	<u>50,067</u>	<u>260,233</u>
Net Change in Cash Balances	(696,521)	198,984	(214,058)	889,131	177,536
Cash Balances at Beginning of Year	<u>1,197,851</u>	<u>609,045</u>	<u>4,478,174</u>	<u>34,883</u>	<u>6,319,953</u>
Cash Balances at End of Year	<u>\$ 501,330</u>	<u>808,029</u>	<u>4,264,116</u>	<u>924,014</u>	<u>6,497,489</u>
Cash Basis Fund Balances:					
Restricted:					
Restricted for equipment purchase	\$ 0	0	808,848	0	808,848
Unrestricted:					
Unreserved	<u>501,330</u>	<u>808,029</u>	<u>3,455,268</u>	<u>924,014</u>	<u>5,688,641</u>
Total Cash Basis Fund Balance:	<u>\$ 501,330</u>	<u>808,029</u>	<u>4,264,116</u>	<u>924,014</u>	<u>6,497,489</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LAKE MILLS**  
Notes to the Financial Statements  
June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Lake Mills is a political subdivision of the State of Iowa located in Winnebago County. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis.

Reporting Entity

For financial reporting purposes, the City of Lake Mills has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City 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 City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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 City 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 City.

The City of Lake Mills has no component units.

The City also participates in jointly governed organizations that provide goods or services to the citizens 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: Winnebago County Communications Board, Winnebago County E911 Board and Winnebago County Assessors Compensation Board.

Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided 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 as general receipts.

**CITY OF LAKE MILLS**  
Notes to the Financial Statements - Continued

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:

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is used to account for the payment of principal and interest on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used for the acquisition or construction of capital facilities.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water system.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Electric Fund – The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

Measurement Focus and Basis of Accounting

The City of Lake Mills 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services 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.

**CITY OF LAKE MILLS**  
Notes to the Financial Statements – Continued

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2) Pooled Deposits and Investments

The City's deposits at June 30, 2009 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.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2009 included \$746,625 deposited with the Iowa Public Agency Investment Trust and \$260,032 deposited with the Wisconsin State Treasurer through the Western Wisconsin Municipal Power Group.

(3) Long-Term Debt

A summary of the City's June 30, 2009 long-term debt is as follows:

Maturity	Interest Rates	General Obligation Bonds		Water Revenue Bonds		Total
		Principal	Interest	Principal	Interest	
2010	0 - 4.00%	\$ 495,000	85,038	24,000	15,505	619,543
2011	0 - 4.00	505,000	70,162	24,000	14,790	613,952
2012	0 - 3.30	370,000	54,685	25,000	14,070	463,755
2013	0 - 3.35	380,000	44,335	26,000	13,320	463,655
2014	0 - 3.45	285,000	33,290	27,000	12,540	357,830
		<u>2,035,000</u>	<u>287,510</u>	<u>126,000</u>	<u>70,225</u>	<u>2,518,735</u>
2015-2019	0 - 3.65	805,000	50,438	146,000	50,130	1,051,568
2020-2024	3.00	0	0	170,000	26,850	196,850
2025-2026	3.00	0	0	75,000	3,390	78,390
Less amount not yet received				(5,000)		
		<u>\$ 2,840,000</u>	<u>337,948</u>	<u>512,000</u>	<u>150,595</u>	<u>3,845,543</u>

Interest paid on general obligation bonds amounted to \$75,783 and interest paid on revenue bonds amounted to \$6,967 during the year ended June 30, 2009. All of these interest amounts were expensed.

Cash restricted for the payment of bonds at June 30, 2009 is as follows:

General Obligation Bonds	<u>\$ 57,211</u>
--------------------------	------------------

**CITY OF LAKE MILLS**  
Notes to the Financial Statements - Continued

Changes in the general long-term debt account group during the year ended June 30, 2009 are summarized as follows:

Balance at beginning of year	\$ 2,320,000
New debt issued	900,000
Principal paid	<u>(380,000)</u>
Balance at end of year	<u><u>\$ 2,840,000</u></u>

Required transfers from the Water Revenue Fund to the Water Revenue Bond Sinking Fund are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 39,505
2011	38,790
2012	39,070
2013	39,320
2014	<u>39,540</u>
2015-2019	196,225
2020-2024	196,130
2025-2026	196,850
	<u>78,390</u>
	<u><u>\$ 667,595</u></u>

(4) Retirement System - IPERS

The City is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered payroll except for police employees, in which case the percentages are actuarially determined. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$64,548, \$58,384, and \$55,373, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2009 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 58,940
Sick leave	138,954
	<u><u>\$ 197,894</u></u>

The liability has been computed based on rates of pay as of June 30, 2009.

**CITY OF LAKE MILLS**  
Notes to the Financial Statements – Continued

(6) Risk Management  
The City of Lake Mills 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.

(7) Property Tax Calendar  
Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.

(8) Notes Receivable  
The City is the holder of notes receivable in connection with a revolving loan fund established through Community Development Block Grants. The loans carry interest rates ranging from 0% to 2% and are summarized as follows:

Dras Cases, Inc.	\$ 20,000
Stowmaster	35,589
Cavett's Lawn and Garden Center	45,243
	<u>\$ 100,832</u>

(9) Interfund Transfers  
The detail of interfund transfers during the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Fund - Employee Benefits	\$ 144,336
	Capital Projects Fund	2,047
	Proprietary Fund - Electric	155,609
		<u>301,992</u>
Special Revenue Fund - TIF	Capital Projects Fund	161,198
Debt Service Fund	Special Revenue Fund - TIF	446,983
Capital Projects Fund	Special Revenue Fund - TIF	243,822
	Proprietary Fund - Water	13,863
		<u>257,685</u>
Proprietary Fund - Water	Special Revenue Fund - TIF	200,000
Proprietary Fund - Electric	Capital Projects Fund	229,705
Proprietary Fund - Storm Water	Proprietary Fund - Sewer	50,067
		<u>\$ 1,647,630</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**CITY OF LAKE MILLS**

Notes to the Financial Statements - Continued

(10) Major Customer

The City of Lake Mills Enterprise Funds have one major customer which accounted for 30% of the charges for services in the enterprise funds during the year ended June 30, 2009. Subsequent to June 30, 2009, this customer announced that it would significantly reduce its level of operations in Lake Mills.

(11) Commitments

At June 30, 2009, the City had commitments on open construction contracts totaling \$706,328.

**CITY OF LAKE MILLS**  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Cash Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Funds  
 Year Ended June 30, 2009

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 470,325	0	470,325
TIF revenues	875,568	0	875,568
Other city taxes	187,675	0	187,675
Licenses and permits	3,163	0	3,163
Use of money and property	70,813	171,602	242,415
Intergovernmental	278,738	0	278,738
Charges for service	243,213	3,406,960	3,650,173
Special assessments	54,971	0	54,971
Miscellaneous	145,596	0	145,596
	<u>2,330,062</u>	<u>3,578,562</u>	<u>5,908,624</u>
Disbursements:			
Public safety	606,646	0	606,646
Public works	423,272	0	423,272
Culture and recreation	388,546	0	388,546
Community and economic development	91,216	0	91,216
General government	80,646	0	80,646
Debt service	456,983	0	456,983
Capital projects	329,571	0	329,571
Business type activities	0	5,085,459	5,085,459
	<u>2,376,880</u>	<u>5,085,459</u>	<u>7,462,339</u>
Excess (Deficit) of Receipts over (under) Disbursements	(46,818)	(1,506,897)	(1,553,715)
Other Financing Sources (net)	<u>(260,233)</u>	<u>1,684,433</u>	<u>1,424,200</u>
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(307,051)	177,536	(129,515)
Balances at Beginning of Year	2,310,058	6,319,953	8,630,011
Balances at End of Year	<u>\$ 2,003,007</u>	<u>6,497,489</u>	<u>8,500,496</u>

**CITY OF LAKE MILLS**  
 Budgetary Comparison Schedule of Receipts, Disbursements  
 and Changes in Cash Balances - Budget and Actual (Cash Basis)  
 All Governmental Funds and Proprietary Funds  
 Year Ended June 30, 2009

<u>Budgeted Amount</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
465,413	465,413	4,912
933,835	933,835	(58,267)
142,384	142,384	45,291
4,275	4,275	(1,112)
250,400	250,400	(7,985)
207,331	225,136	53,602
3,467,046	3,499,720	150,453
111,642	111,642	(56,671)
148,431	235,978	(90,382)
<u>5,730,757</u>	<u>5,868,783</u>	<u>39,841</u>
569,476	609,847	3,201
390,300	475,053	51,781
321,282	394,882	6,336
432,163	141,360	50,144
83,573	88,073	7,427
456,983	456,983	0
1,374,110	334,498	4,927
2,905,172	5,393,963	308,504
<u>6,533,059</u>	<u>7,894,659</u>	<u>432,320</u>
(802,302)	(2,025,876)	472,161
<u>624,335</u>	<u>804,335</u>	<u>619,865</u>
(177,967)	(1,221,541)	1,092,026
8,249,821	8,249,821	380,190
<u>8,071,854</u>	<u>7,028,280</u>	<u>1,472,216</u>

**CITY OF LAKE MILLS**  
Notes to Required Supplementary Information  
June 30, 2009

The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$138,026 and budgeted disbursements by \$1,361,600. The budget amendment is reflected in the final budgeted figures.

**CITY OF LAKE MILLS**  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Nonmajor Governmental Funds  
As of and For the Year Ended June 30, 2009

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Revolving Loan Fund</u>	<u>Permanent</u>
Receipts:			
Property tax	\$ 144,336	0	0
Use of money and property	0	2,422	288
Miscellaneous	0	25,328	18,379
Total Receipts	<u>144,336</u>	<u>27,750</u>	<u>18,667</u>
Disbursements:			
Operating:			
Public works	0	0	9,658
Culture and recreation	0	0	200
Community and economic development	0	245	0
General government	0	0	8,097
Total Disbursements	<u>0</u>	<u>245</u>	<u>17,955</u>
Excess of Receipts over Disbursements	144,336	27,505	712
Operating transfers out	<u>(144,336)</u>	<u>0</u>	<u>0</u>
Net Change in Cash Balances	0	27,505	712
Cash Balances at Beginning of Year	0	139,252	26,831
Cash Balances at End of Year	<u>\$ 0</u>	<u>166,757</u>	<u>27,543</u>
Cash Basis Cash Balances:			
Unreserved:			
Special revenue funds	\$ 0	166,757	0
Permanent fund	0	0	27,543
	<u>\$ 0</u>	<u>166,757</u>	<u>27,543</u>

**CITY OF LAKE MILLS**  
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances -  
Nonmajor Governmental Funds  
As of and For the Year Ended June 30, 2009

Total

144,336  
2,710  
43,707

190,753

9,658  
200  
245  
8,097

18,200

172,553

(144,336)

28,217

166,083

194,300

166,757  
27,543  
194,300

**CITY OF LAKE MILLS**  
Schedule of Long-Term Debt and Interest  
June 30, 2009

	<u>Date of Issue</u>	<u>Interest Rates</u>
General Obligation Bonds:		
G.O. Urban Renewal	November 1, 2001	2.50% - 4.00%
G.O. Refunding	April 1, 2005	2.70% - 3.35%
G.O. Urban Renewal	July 1, 2005	2.75% - 3.65%
Iowa Department of Public Safety	October 4, 2007	0.00%
G.O. Urban Renewal	May 18, 2009	1.85% - 3.25%
Total General Obligation Bonds		
Revenue Bonds:		
Water SRF	August 20, 2008	3.00%
Grand Total		

**CITY OF LAKE MILLS**  
Schedule of Long-Term Debt and Interest  
June 30, 2009

Amount Originally Issued	Balance June 30, 2008	Issued	Redeemed	Balance June 30, 2009	Interest Paid
\$ 1,100,000	\$ 410,000	0	130,000	280,000	16,140
745,000	490,000	0	95,000	395,000	15,400
1,730,000	1,330,000	0	145,000	1,185,000	44,243
100,000	90,000	0	10,000	80,000	0
900,000	0	900,000	0	900,000	0
	<u>2,320,000</u>	<u>900,000</u>	<u>380,000</u>	<u>2,840,000</u>	<u>75,783</u>
540,000	<u>0</u>	<u>535,000</u>	<u>23,000</u>	<u>512,000</u>	<u>6,967</u>
	<u>\$ 2,320,000</u>	<u>1,435,000</u>	<u>403,000</u>	<u>3,352,000</u>	<u>82,750</u>

**CITY OF LAKE MILLS**

Bond Maturities

June 30, 2009

General Obligation Bonds

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Urban Renewal</u> <u>Issued 11-1-01</u>		<u>G.O. Refunding</u> <u>Issued 4-1-05</u>		<u>Urban Renewal</u> <u>Issued 7-1-05</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2010	4.00%	\$ 135,000	3.05	100,000	3.05	150,000
2011	4.00	145,000	3.10	95,000	3.15	155,000
2012	--	--	3.30	100,000	3.25	160,000
2013	--	--	3.35	100,000	3.35	170,000
2014	--	--	--	--	3.45	175,000
2015	--	--	--	--	3.55	185,000
2016	--	--	--	--	3.65	190,000
2017	--	--	--	--	--	--
2018	--	--	--	--	--	--
		<u>\$ 280,000</u>		<u>395,000</u>		<u>1,185,000</u>

Water Revenue Bonds

Issued 8-20-08

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>
2010	3.00%	\$ 24,000
2011	3.00	24,000
2012	3.00	25,000
2013	3.00	26,000
2014	3.00	27,000
2015	3.00	28,000
2016	3.00	28,000
2017	3.00	29,000
2018	3.00	30,000
2019	3.00	31,000
2020	3.00	32,000
2021	3.00	33,000
2022	3.00	34,000
2023	3.00	35,000
2024	3.00	36,000
2025	3.00	37,000
2026	3.00	38,000
Less amount not yet received		<u>(5,000)</u>
		<u>\$ 512,000</u>

**CITY OF LAKE MILLS**

Bond Maturities

June 30, 2009

Iowa Department of Public Safety Issued 10-4-07		G.O. Urban Renewal Storm Water Issued 5/18/09		
Interest		Interest		
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
--	10,000	1.85	100,000	495,000
--	10,000	1.85	100,000	505,000
--	10,000	1.85	100,000	370,000
--	10,000	2.00	100,000	380,000
--	10,000	2.25	100,000	285,000
--	10,000	2.50	100,000	295,000
--	10,000	2.75	100,000	300,000
--	10,000	3.00	100,000	110,000
--	--	3.25	100,000	100,000
	<u>80,000</u>		<u>900,000</u>	<u>2,840,000</u>

**CITY OF LAKE MILLS**  
Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds  
Years Ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Property tax	\$ 470,325	444,956	482,027	556,235
TIF revenues	875,568	839,293	752,995	663,129
Other city taxes	187,675	147,735	154,214	140,268
Licenses and permits	3,163	4,888	5,350	4,596
Use of money and property	70,813	131,774	133,847	122,356
Intergovernmental	278,738	382,721	299,242	645,188
Charges for services	243,213	238,976	239,900	232,693
Special assessments	54,971	43,074	141,176	18,156
Miscellaneous	145,596	147,537	141,636	141,388
 Total Receipts	 <u><u>\$ 2,330,062</u></u>	 <u><u>2,380,954</u></u>	 <u><u>2,350,387</u></u>	 <u><u>2,524,009</u></u>
Disbursements:				
Public safety	\$ 606,646	537,552	435,163	424,389
Public works	423,272	490,300	380,796	339,875
Culture and recreation	388,546	375,441	300,204	318,738
Community and economic development	91,216	316,102	209,294	449,145
General government	80,646	95,505	79,751	84,434
Debt service	456,983	442,778	525,228	1,357,768
Capital projects	329,571	62,948	140,155	1,715,417
 Total Disbursements	 <u><u>\$ 2,376,880</u></u>	 <u><u>2,320,626</u></u>	 <u><u>2,070,591</u></u>	 <u><u>4,689,766</u></u>

**CITY OF LAKE MILLS**  
Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds  
Years Ended June 30,

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
544,505	565,217	587,057	578,685	592,380
553,230	458,163	415,475	429,544	408,117
132,969	137,841	126,999	146,683	92,476
3,769	3,480	3,988	4,380	4,089
52,117	30,279	43,952	96,416	123,667
397,101	226,039	375,358	244,528	303,261
205,340	206,891	197,821	182,139	174,225
38,204	16,938	14,803	14,843	13,320
158,392	153,762	187,930	229,269	148,869
<u>2,085,627</u>	<u>1,798,610</u>	<u>1,953,383</u>	<u>1,926,487</u>	<u>1,860,404</u>
448,647	374,684	417,936	386,863	343,172
339,900	286,947	341,063	391,550	295,285
271,641	282,080	299,818	1,876,388	267,083
267,539	263,195	230,929	155,914	191,973
81,583	94,410	80,268	96,847	95,434
428,635	420,567	427,223	357,910	335,905
677,317	183,902	0	0	186,268
<u>2,515,262</u>	<u>1,905,785</u>	<u>1,797,237</u>	<u>3,265,472</u>	<u>1,715,120</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council  
City of Lake Mills, Iowa

I have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lake Mills, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated November 4, 2009. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Lake Mills' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Lake Mills' internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies but none that I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lake Mills' ability to initiate, authorize, record, process, or report financial data reliably in accordance with another comprehensive basis of accounting such that there is more than a remote likelihood a misstatement in the City of Lake Mills' financial statements that is more than inconsequential will not be prevented or detected by the City of Lake Mills' internal control. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Lake Mills' internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe none of the items are material weaknesses. Prior year significant deficiencies have been resolved except for item 09-II-A.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Mills' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Lake Mills' operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements. Since my 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. Prior year statutory comments have been resolved except for item 09-III-I.

The City of Lake Mills' responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City of Lake Mills' responses, I did not audit the City of Lake Mills' responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lake Mills and other parties to whom the City of Lake Mills may report. This report is not intended to be and should not be used by anyone other than these specified parties.

S/ Stanley E. Siebke

Urbandale, Iowa  
November 4, 2009

**CITY OF LAKE MILLS**  
Schedule of Findings  
Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which were prepared in conformity with another comprehensive basis of accounting.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CITY OF LAKE MILLS**  
Schedule of Findings  
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant Deficiency

09-II-A Segregation of Duties

One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one employee is involved in cash receipts, cash disbursements and bank deposits.

I realize that with the limited number of employees, improvement of these controls is not economically feasible. However, I believe that management of the City should be aware of the situation.

Response: The City Council is aware of this situation.

Conclusion: Response accepted.

**CITY OF LAKE MILLS**  
Schedule of Findings  
Year Ended June 30, 2009

Part III: Other Findings Related to Statutory Reporting

09-III-A Certified Budget

The City properly approved a certified budget for the year ended June 30, 2009 and subsequently amended that budget. The budgeted amounts were not exceeded during the year.

09-III-B Questionable Disbursements

I noted no expenditures for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

09-III-C Travel Expense

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

09-III-D Business Transactions

During the year ended June 30, 2009, there were no transactions between the City and City officials.

09-III-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

09-III-F Council Minutes

No transactions were found that I believe should have been approved in the Council minutes but were not.

09-III-G Water Revenue Bonds

The provisions of the resolution for the issuance of the revenue bonds relating to funding of the sinking funds were followed.

09-III-H Deposits and Investments

I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

09-III-I Economic Development

The City of Lake Mills paid \$31,500 to the Lake Mills Community Development Corporation which may not be an appropriate expenditure of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. These provisions stipulate that the governing body should evaluate the public benefits to be obtained and discuss specific criteria to be considered in documenting the public purpose. The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require the Lake Mills Community Development Corporation to provide documentation of how the funds were used to accomplish economic development activities.

Response: We will do this.

Conclusion: Response accepted.