

CITY OF LAKE MILLS

Lake Mills, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2011

With Independent Auditor's Reports

CITY OF LAKE MILLS
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CITY OF LAKE MILLS

City Officials
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David E. Steffens, Sr.	Mayor	January 2012
Candy Hanna	Mayor Pro-Tem	January 2014
Bill Clark	Council Member	January 2012
Nathan Ostrander	Council Member	January 2014
Duane Skellinger	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, 2011, 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, 2011, 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 October 14, 2011 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 nine years ended June 30, 2010 (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
October 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Lake Mills' Annual Financial Report presents management's discussion and analysis of the City's fiscal performance during the Fiscal Year that ended on June 30, 2011. It should be read in conjunction with the City's financial statements, which immediately follow this section.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased approximately 6.5%, or \$149,853, from Fiscal Year 2010 to Fiscal Year 2011. Increased Charges for Services, Tax Increment Financing Receipts, Local Option Sales Tax, interest revenue, and Assessments for the East Main Reconstruction Project were the major reasons for the increase in FY 2011.
- Disbursements of the City's governmental activities increased approximately 16%, or \$328,385, from Fiscal Year 2010 to Fiscal Year 2011. The increase was mainly due to expenditures for new roof, furnace & air conditioner at the Police Department, new air conditioner at the Civic Center, painting the water tower, TIF Grant to Lake Mills Entertainment for the Helland/Skellenger buildings, Revolving Loan Fund Loan to QCCP Inc. and the East Main Street Reconstruction Project.
- The City's total cash basis net assets increased 7%, or \$583,885, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$247,373 and the assets of the business type activities increased by \$336,512.

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 increased from \$2,427,589 to \$2,674,962 for Fiscal Year 2011. 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>2011</u>	<u>2010</u>
Receipts & Transfers:		
Program Receipts:		
Charges for Service	\$ 264,324	\$ 254,696
Operating Grants and Contributions	320,676	326,732
Capital Grants and Contributions	67,288	28,523
General Receipts:		
Property tax levied for:		
General purposes	482,157	474,376
Tax increment financing	1,040,827	996,417
Debt service	9,948	10,068
Local option sales tax	172,008	151,185
Unrestricted interest on investments	55,396	35,586
Miscellaneous	33,206	18,394
Transfers	154,354	153,030
Total Receipts and Transfers	<u>2,600,184</u>	<u>2,449,007</u>
Disbursements		
Public Safety	552,123	532,505
Public Works	383,195	360,746
Culture and Recreation	360,562	348,472
Community and Economic Development	199,484	123,659
General Government	80,704	77,306
Debt Service	576,962	581,738
Capital Projects	199,781	0
Total Disbursements	<u>2,352,811</u>	<u>2,024,426</u>
Increase in Cash Basis Net Assets	247,373	424,581
Cash Basis Net Assets beginning of year	<u>2,427,589</u>	<u>2,003,008</u>
Cash Basis Net Assets end of year	<u><u>\$ 2,674,962</u></u>	<u><u>\$ 2,427,589</u></u>

The City's total receipts & transfers for governmental activities increased approximately 6%, or \$151,177. The increase in receipts & transfers was due to: Increased TIF Revenue, Charge for Services, Local Option Sales Tax, Interest and Miscellaneous Revenues and Assessments for the East Main Reconstruction Project.

The total cost of all programs and services increased by approximately 16% or \$328,385. Public Safety was up approximately \$20,000 primarily due to a new roof, furnace and air conditioner at the Police Department. Public Works was up approximately \$22,000 due to painting the water tower. Culture and Recreation was up approximately \$12,000 due to a new air conditioner at the Civic Center, furnaces at the Library and diving boards at the Swimming Pool. Community and Economic Development was up approximately \$76,000 due to a Development Grant to Lake Mills Entertainment and a Revolving Loan Fund Loan to QCCP Inc. Capital Projects were up approximately \$200,000 due to the East Main Reconstruction Project.

The City property tax rate increased approximately 70 cents per thousand for Fiscal Year 2011. The overall taxable valuation for the City decreased slightly due to decreased property values.

The cost of all governmental activities this year was \$2.35 million compared to \$2.02 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 \$1.533 million. Other funding came from fees paid by those directly benefited from the programs (\$264,324), by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$387,964). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2011 from \$609,951 to \$652,288, principally due to grant receipts for picnic tables for the park and for part of the diving boards at the pool, grants received for windows and furnaces at the Library, insurance reimbursement for the air conditioner at the Civic Center and Assessments for the East Main Reconstruction Project. The City paid for the remaining "public benefit" portion of governmental activities with \$1,532,932 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>2011</u>	<u>2010</u>
Receipts:		
Charges for service:		
Water	\$ 309,657	\$ 283,224
Sewer	270,980	266,819
Electric	3,242,233	2,904,963
Storm Water	54,835	49,463
Operating grants, contributions and restricted interest	44,381	105,156
Proceeds of long-term debt	0	5,000
Total Receipts	<u>3,922,086</u>	<u>3,614,625</u>
Disbursements and Transfers:		
Water	356,699	266,698
Sewer	186,890	235,345
Electric	2,624,355	2,671,827
Storm Water	263,276	836,811
Transfers	154,354	153,030
Total Disbursements and Transfers	<u>3,585,574</u>	<u>4,163,711</u>
Increase (Decrease) in Cash Basis Net Assets	336,512	(549,086)
Cash Basis Net Assets beginning of year	<u>5,948,403</u>	<u>6,497,489</u>
Cash Basis Net Assets end of year	<u>\$ 6,284,915</u>	<u>\$ 5,948,403</u>

Total business type activities receipts for the Fiscal Year were \$3.9 million compared to \$3.6 million last year. This increase was due to an increase in water, sewer and electric rates. Total disbursements and transfers for the Fiscal Year were \$3.586 million compared to \$4.164 million last year. The main reason for this decrease was the Storm Water Project in 2010. The cash balance increased by \$336,512. The major contributing factor to the increase in cash balance is the increase in water, sewer and electric rates.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lake Mills completed the year, its governmental funds reported a combined fund balance of \$2,674,962, an increase of \$247,373 from last year's total of \$2,427,589. 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 \$44,471 from the prior year to \$1,477,197. The major reason for this increase was Local Option Sales Tax receipts that were not used in this Fiscal Year.
- The Road Use Tax Fund cash balance increased by \$48,135 to \$299,940 during the Fiscal Year. The increase is due to staying within budget on expenditures and receiving slightly over budget on revenue.
- The Urban Renewal Tax Increment Fund cash balance increased by \$178,429 to \$749,180 during the Fiscal Year. This balance is accumulating to make it possible for early call of the General Obligation Tax Increment Bonds.

- The Debt Service Fund cash balance stayed constant at \$57,227 during the Fiscal Year.

- **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$44,285 to \$484,147, due primarily to unanticipated repairs to the South Water Treatment Plant and over Budget on the utilities for the new Water Treatment Plant.
- The Sewer Fund cash balance increased by \$89,034 to \$935,181, due primarily to receipt of leachate revenue and an increase in rates.
- The Electric Fund cash balance increased by \$500,204 to \$4,936,348 primarily due to an increase in the electric rates.
- The Storm Water Fund cash balance decreased by \$208,441 to (\$70,761), due primarily to expenditures for the Storm Water Project. Reimbursement from the CDBG Disaster Grant was not received until Fiscal Year 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 16, 2011 and resulted in an increase in disbursements related to the use of grants, donations and memorials that were received, unanticipated repairs and debt service.

DEBT ADMINISTRATION

On June 30, 2011, the City had \$2,309,000 in bonds and other long-term debt, compared to \$2,838,000 last year, as shown below.

City of Lake Mills' Outstanding Debt

	As of	
	<u>6/30/2011</u>	<u>6/30/2010</u>
General Obligation Bonds	\$ 1,840,000	\$ 2,345,000
Revenue Bonds	<u>469,000</u>	<u>493,000</u>
Total	<u>\$ 2,309,000</u>	<u>\$ 2,838,000</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 \$1,840,000 is significantly below its constitutional debt limit of \$5,129,668.

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 2012 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 – 2011. The City / County's unemployment rate of 6.5 percent is higher than the State's unemployment rate of 6.1 percent and is lower than the National rate of 9.1 percent.

Inflation in the State continues to be similar to the National Consumer Price Index which increased 3.6% during the past year.

These indicators were taken into account when adopting the budget for Fiscal Year 2012. Amounts available for appropriation in the 2012 operating budget are \$8.782 million, an increase of 18.7% over the 2011 actual. Budgeted disbursements for 2012 increased approximately 24.6% from the 2011 actual to \$8.493 million. The main reason for the increase in amounts available and budgeted disbursements are: Phase II of the Storm Water Project and the South Mill Storm Sewer Project Budgeted for Fiscal Year 2012.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$289,000 by the close of 2012.

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, 2011

	<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	\$ 552,123	12,829	30,320	0
Public works	383,195	172,616	216,139	0
Culture and recreation	360,562	76,898	33,045	0
Community and economic development	199,484	0	41,172	0
General government	80,704	1,981	0	0
Debt service	576,962	0	0	0
Capital projects	199,781	0	0	67,288
Total Governmental Activities	<u>2,352,811</u>	<u>264,324</u>	<u>320,676</u>	<u>67,288</u>
Business type activities:				
Water	356,699	309,657	2,757	0
Sewer	186,890	270,980	4,944	0
Electric	2,624,355	3,242,233	36,680	0
Storm water	263,276	54,835	0	0
Total Business Type Activities	<u>3,431,220</u>	<u>3,877,705</u>	<u>44,381</u>	<u>0</u>
Total	<u>\$ 5,784,031</u>	<u>4,142,029</u>	<u>365,057</u>	<u>67,288</u>

General Receipts:

Property tax levied for:

- General purposes
- Tax increment financing
- Debt service

Local option sales tax

Unrestricted interest on investments

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:

Nonexpendable - Permanent Fund

Expendable:

- Streets
- Urban renewal purposes
- Debt service
- Equipment purchase
- Other purposes

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, 2011

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>
(508,974)	0	(508,974)
5,560	0	5,560
(250,619)	0	(250,619)
(158,312)	0	(158,312)
(78,723)	0	(78,723)
(576,962)	0	(576,962)
(132,493)	0	(132,493)
<u>(1,700,523)</u>	<u>0</u>	<u>(1,700,523)</u>
0	(44,285)	(44,285)
0	89,034	89,034
0	654,558	654,558
0	(208,441)	(208,441)
<u>0</u>	<u>490,866</u>	<u>490,866</u>
<u>(1,700,523)</u>	<u>490,866</u>	<u>(1,209,657)</u>
482,157	0	482,157
1,040,827	0	1,040,827
9,948	0	9,948
172,008	0	172,008
55,396	0	55,396
33,206	0	33,206
154,354	(154,354)	0
<u>1,947,896</u>	<u>(154,354)</u>	<u>1,793,542</u>
247,373	336,512	583,885
2,427,589	5,948,403	8,375,992
<u>\$ 2,674,962</u>	<u>6,284,915</u>	<u>8,959,877</u>
\$ 33,157	0	33,157
299,940	0	299,940
749,180	0	749,180
57,227	0	57,227
0	854,201	854,201
155,617	0	155,617
1,379,841	5,430,714	6,810,555
<u>\$ 2,674,962</u>	<u>6,284,915</u>	<u>8,959,877</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, 2011

	General	Special Revenue		Debt Service	Other Nonmajor Governmental Funds
		Road Use Tax	TIF		
Receipts:					
Property tax	\$ 318,065	0	0	9,948	164,092
TIF revenues	0	0	1,040,827	0	0
Other city taxes	172,008	0	0	0	0
Licenses and permits	3,622	0	0	0	0
Use of money and property	55,552	0	1,819	0	572
Intergovernmental	62,830	195,180	0	0	0
Charges for services	240,793	0	0	0	0
Special assessments	0	0	14,082	0	67,288
Miscellaneous	59,756	0	6,524	0	32,872
Total Receipts	912,626	195,180	1,063,252	9,948	264,824
Disbursements:					
Operating:					
Public safety	529,716	0	0	0	0
Public works	203,358	147,045	24,875	0	7,917
Culture and recreation	357,550	0	3,012	0	0
Community and economic development	0	0	149,474	0	50,010
General government	78,649	0	0	0	2,055
Capital outlay:					
Public safety	22,407	0	0	0	0
Debt service	0	0	0	576,962	0
Capital projects	0	0	0	0	199,781
Total Disbursements	1,191,680	147,045	177,361	576,962	259,763
Excess (Deficit) of Receipts over (under) Disbursements	(279,054)	48,135	885,891	(567,014)	5,061
Other Financing Sources (Uses):					
Operating transfers in	323,525	0	0	566,962	140,500
Operating transfers out	0	0	(707,462)	0	(169,171)
	<u>323,525</u>	<u>0</u>	<u>(707,462)</u>	<u>566,962</u>	<u>(28,671)</u>
Net Change in Cash Balances	44,471	48,135	178,429	(52)	(23,610)
Cash Balances at Beginning of Year	1,432,726	251,805	570,751	57,279	115,028
Cash Balances at End of Year	<u>\$ 1,477,197</u>	<u>299,940</u>	<u>749,180</u>	<u>57,227</u>	<u>91,418</u>
Cash Basis Fund Balances:					
Nonspendable - Permanent Fund	\$ 0	0	0	0	33,157
Restricted for:					
Debt service	0	0	0	57,227	0
Streets	0	299,940	0	0	0
Other purposes	0	0	749,180	0	155,617
Unassigned	1,477,197	0	0	0	(97,356)
	<u>\$ 1,477,197</u>	<u>299,940</u>	<u>749,180</u>	<u>57,227</u>	<u>91,418</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, 2011

<u>Total</u>
492,105
1,040,827
172,008
3,622
57,943
258,010
240,793
81,370
99,152
<u>2,445,830</u>
529,716
383,195
360,562
199,484
80,704
22,407
576,962
199,781
<u>2,352,811</u>
<u>93,019</u>
1,030,987
(876,633)
<u>154,354</u>
247,373
2,427,589
<u>2,674,962</u>
33,157
57,227
299,940
904,797
1,379,841
<u>2,674,962</u>

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, 2011

	<u>Enterprise Funds</u>			<u>Storm Water</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>		
Operating Receipts:					
Charges for services	\$ 304,235	200,464	3,235,012	49,175	3,788,886
Miscellaneous	5,422	70,516	7,221	5,660	88,819
Total Operating Receipts	<u>309,657</u>	<u>270,980</u>	<u>3,242,233</u>	<u>54,835</u>	<u>3,877,705</u>
Disbursements:					
Operating:					
Business type activities	317,909	186,890	2,536,500	12,094	3,053,393
Capital outlay:					
Business type activities	0	0	87,855	251,182	339,037
Total Operating Disbursements	<u>317,909</u>	<u>186,890</u>	<u>2,624,355</u>	<u>263,276</u>	<u>3,392,430</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>(8,252)</u>	<u>84,090</u>	<u>617,878</u>	<u>(208,441)</u>	<u>485,275</u>
Non-Operating Receipts (Disbursements):					
Use of money and property	2,757	4,944	36,680	0	44,381
Debt service	(38,790)	0	0	0	(38,790)
Total Non-Operating Receipts (Disbursements)	<u>(36,033)</u>	<u>4,944</u>	<u>36,680</u>	<u>0</u>	<u>5,591</u>
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(154,354)</u>	<u>0</u>	<u>(154,354)</u>
Net Change in Cash Balances	(44,285)	89,034	500,204	(208,441)	336,512
Cash Balances at Beginning of Year	<u>528,432</u>	<u>846,147</u>	<u>4,436,144</u>	<u>137,680</u>	<u>5,948,403</u>
Cash Balances at End of Year	<u>\$ 484,147</u>	<u>935,181</u>	<u>4,936,348</u>	<u>(70,761)</u>	<u>6,284,915</u>
Cash Basis Fund Balances:					
Restricted for equipment purchase	\$ 0	0	854,201	0	854,201
Unrestricted	<u>484,147</u>	<u>935,181</u>	<u>4,082,147</u>	<u>(70,761)</u>	<u>5,430,714</u>
Total Cash Basis Fund Balance:	<u>\$ 484,147</u>	<u>935,181</u>	<u>4,936,348</u>	<u>(70,761)</u>	<u>6,284,915</u>

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

CITY OF LAKE MILLS
Notes to the Financial Statements
June 30, 2011

(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 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.

Storm Water Fund – The Storm Water Fund accounts for the operation and maintenance of the City's storm water drainage 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, 2011 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, 2011 included \$241,106 deposited with the Iowa Public Agency Investment Trust and \$87,843 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, 2011 long-term debt is as follows:

<u>Maturity</u>	<u>Interest Rates</u>	<u>General Obligation Bonds</u>		<u>Water Revenue Bonds</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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
2015	0 - 3.55	295,000	25,003	28,000	11,730	359,733
2016	0 - 3.65	300,000	15,935	28,000	10,890	354,825
		<u>1,630,000</u>	<u>173,248</u>	<u>134,000</u>	<u>62,550</u>	<u>1,999,798</u>
2017-2021	0 - 3.25	210,000	9,500	155,000	41,250	415,750
2022-2026	3.00	0	0	180,000	16,500	196,500
		<u>\$ 1,840,000</u>	<u>182,748</u>	<u>469,000</u>	<u>120,300</u>	<u>2,612,048</u>

Interest paid on general obligation bonds amounted to \$70,162 and interest paid on revenue bonds amounted to \$14,790 during the year ended June 30, 2011. All of these interest amounts were expensed.

Cash restricted for the payment of bonds at June 30, 2011 is as follows:

General Obligation Bonds	<u>\$ 57,227</u>
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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, 2011 are summarized as follows:

Balance at beginning of year	\$ 2,345,000
New debt issued	0
Principal paid	(505,000)
Balance at end of year	\$ 1,840,000

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>
2012	\$ 39,070
2013	39,320
2014	39,540
2015	39,730
2016	38,890
	196,550
2017-2021	196,250
2022-2026	196,500
	\$ 589,300

(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 4.50% of their annual salary and the City is required to contribute 6.95% of annual 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, 2011, 2010, and 2009 were \$75,869, \$67,921, and \$64,548, 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, 2011 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 62,247
Sick leave	159,027
	\$ 221,274

The liability has been computed based on rates of pay as of June 30, 2011.

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:

Cavett's Lawn and Garden Center	\$ 28,720
Quality Composites	50,000
	<u>\$ 78,720</u>

In addition, the City holds a note receivable from Lake Mills Entertainment with an outstanding balance of \$57,076 at June 30, 2011. This loan is being paid in monthly installments of \$695 and carries an interest rate of 3%. Final payment of the loan is scheduled for February 2013.

(9) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Fund - Employee Benefits	\$ 161,832
	Capital Projects Fund	6,571
	Proprietary Fund - Electric	155,122
		<u>323,525</u>
Debt Service Fund	Special Revenue Fund - TIF	<u>566,962</u>
Capital Projects Fund	Special Revenue Fund - TIF	<u>140,500</u>
Proprietary Fund - Electric	Capital Projects Fund	<u>768</u>
		<u>\$ 1,031,755</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 27% of the charges for services in the enterprise funds during the year ended June 30, 2011. During the year ended June 30, 2010, this customer announced that it would significantly reduce its level of operations in Lake Mills.
- (11) Commitments
At June 30, 2011, the City had contractual commitments for construction and services totaling \$795,078.
- (12) Stewardship, Compliance and Accountability – Deficit Fund Balance
At June 30, 2011, the City of Lake Mills had a deficit fund balance in the Capital Projects Fund of \$97,356 as a result of disbursements exceeding receipts during the year ended June 30, 2009. This deficit is to be eliminated through future special assessments. At June 30, 2011, the City of Lake Mills had a deficit fund balance in the Enterprise Fund – Storm Water of \$70,761 as a result of disbursements exceeding receipts during the year ended June 30, 2011. This deficit is to be eliminated through the receipt of a grant.

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, 2011

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	\$ 492,105	0	492,105
TIF revenues	1,040,827	0	1,040,827
Other city taxes	172,008	0	172,008
Licenses and permits	3,622	0	3,622
Use of money and property	57,943	44,381	102,324
Intergovernmental	258,010	0	258,010
Charges for service	240,793	3,877,705	4,118,498
Special assessments	81,370	0	81,370
Miscellaneous	99,152	0	99,152
Total Receipts	<u>2,445,830</u>	<u>3,922,086</u>	<u>6,367,916</u>
Disbursements:			
Public safety	552,123	0	552,123
Public works	383,195	0	383,195
Culture and recreation	360,562	0	360,562
Community and economic development	199,484	0	199,484
General government	80,704	0	80,704
Debt service	576,962	0	576,962
Capital projects	199,781	0	199,781
Business type activities	0	3,431,220	3,431,220
Total Disbursements	<u>2,352,811</u>	<u>3,431,220</u>	<u>5,784,031</u>
Excess (Deficit) of Receipts over (under) Disbursements	93,019	490,866	583,885
Other Financing Sources (net)	<u>154,354</u>	<u>(154,354)</u>	<u>0</u>
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	247,373	336,512	583,885
Balances at Beginning of Year	2,427,589	5,948,403	8,375,992
Balances at End of Year	<u>\$ 2,674,962</u>	<u>6,284,915</u>	<u>8,959,877</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, 2011

<u>Budgeted Amount</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
489,722	489,722	2,383
1,016,279	1,016,279	24,548
147,681	147,681	24,327
3,100	3,100	522
68,670	68,670	33,654
1,328,924	1,353,858	(1,095,848)
4,050,441	4,050,441	68,057
140,000	140,000	(58,630)
47,781	84,323	14,829
<u>7,292,598</u>	<u>7,354,074</u>	<u>(986,158)</u>
500,203	560,066	7,943
402,063	402,063	18,868
354,973	379,151	18,589
175,373	411,508	212,024
81,860	81,860	1,156
576,763	576,963	1
280,500	280,500	80,719
4,680,593	4,769,034	1,337,814
<u>7,052,328</u>	<u>7,461,145</u>	<u>1,677,114</u>
240,270	(107,071)	690,956
<u>0</u>	<u>0</u>	<u>0</u>
240,270	(107,071)	690,956
8,689,807	8,689,807	(313,815)
<u>8,930,077</u>	<u>8,582,736</u>	<u>377,141</u>

CITY OF LAKE MILLS
Notes to Required Supplementary Information
June 30, 2011

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 \$61,476 and budgeted disbursements by \$408,817. 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, 2011

	<u>Special Revenue</u>		
	<u>Employee</u> <u>Benefits</u>	<u>Revolving</u> <u>Loan Fund</u>	<u>Capital</u> <u>Projects</u>
Receipts:			
Property tax	\$ 164,092	0	0
Use of money and property	0	444	0
Special assessments	0	0	67,288
Miscellaneous	0	18,303	0
Total Receipts	<u>164,092</u>	<u>18,747</u>	<u>67,288</u>
Disbursements:			
Operating:			
Public works	0	0	0
Community and economic development	0	50,010	0
General government	0	0	0
Capital projects	0	0	199,781
Total Disbursements	<u>0</u>	<u>50,010</u>	<u>199,781</u>
Excess (Deficit) of Receipts over (under) Disbursements	164,092	(31,263)	(132,493)
Operating transfers in (out)	<u>(161,832)</u>	<u>0</u>	<u>133,161</u>
Net Change in Cash Balances	2,260	(31,263)	668
Cash Balances at Beginning of Year	0	184,620	(98,024)
Cash Balances at End of Year	<u>\$ 2,260</u>	<u>153,357</u>	<u>(97,356)</u>
Cash Basis Cash Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for other purposes	2,260	153,357	0
Unassigned	0	0	(97,356)
	<u>\$ 2,260</u>	<u>153,357</u>	<u>(97,356)</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, 2011

<u>Permanent</u>	<u>Total</u>
0	164,092
128	572
0	67,288
14,569	32,872
<hr/> <u>14,697</u>	<hr/> <u>264,824</u>
7,917	7,917
0	50,010
2,055	2,055
0	199,781
<hr/> <u>9,972</u>	<hr/> <u>259,763</u>
4,725	5,061
<hr/> <u>0</u>	<hr/> <u>(28,671)</u>
4,725	(23,610)
28,432	115,028
<hr/> <u>33,157</u>	<hr/> <u>91,418</u>
33,157	33,157
0	155,617
0	(97,356)
<hr/> <u>33,157</u>	<hr/> <u>91,418</u>

CITY OF LAKE MILLS
Schedule of Long-Term Debt and Interest
June 30, 2011

	<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, 2011

Amount Originally Issued	Balance June 30, 2010	Issued	Redeemed	Balance June 30, 2011	Interest Paid
\$ 1,100,000	\$ 145,000	0	145,000	0	\$ 5,800
745,000	295,000	0	95,000	200,000	9,595
1,730,000	1,035,000	0	155,000	880,000	35,317
100,000	70,000	0	10,000	60,000	0
900,000	800,000	0	100,000	700,000	19,450
	<u>2,345,000</u>	<u>0</u>	<u>505,000</u>	<u>1,840,000</u>	<u>70,162</u>
540,000	<u>493,000</u>	<u>0</u>	<u>24,000</u>	<u>469,000</u>	<u>14,790</u>
	<u>\$ 2,838,000</u>	<u>0</u>	<u>529,000</u>	<u>2,309,000</u>	<u>\$ 84,952</u>

CITY OF LAKE MILLS

Bond Maturities

June 30, 2011

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>G.O. Refunding</u> <u>Issued 4-1-05</u>		<u>Urban Renewal</u> <u>Issued 7-1-05</u>		<u>General Obligation Bonds</u> <u>Iowa Department of</u> <u>Public Safety</u> <u>Issued 10-4-07</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2012	3.30%	\$ 100,000	3.25	160,000	--	10,000
2013	3.35	100,000	3.35	170,000	--	10,000
2014	--	--	3.45	175,000	--	10,000
2015	--	--	3.55	185,000	--	10,000
2016	--	--	3.65	190,000	--	10,000
2017	--	--	--	--	--	10,000
2018	--	--	--	--	--	--
		<u>\$ 200,000</u>		<u>880,000</u>		<u>60,000</u>

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Water Revenue Bonds</u> <u>Issued 8-20-08</u>	
	<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>
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
		<u>\$ 469,000</u>

CITY OF LAKE MILLS

Bond Maturities

June 30, 2011

G.O. Urban Renewal
Storm Water
Issued 5/18/09

Interest

<u>Rates</u>	<u>Amount</u>	<u>Total</u>
1.85	100,000	370,000
2.00	100,000	380,000
2.25	100,000	285,000
2.50	100,000	295,000
2.75	100,000	300,000
3.00	100,000	110,000
3.25	100,000	100,000
	<u>700,000</u>	<u>1,840,000</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:				
Property tax	\$ 492,105	483,680	470,325	444,956
TIF revenues	1,040,827	996,417	875,568	839,293
Other city taxes	172,008	151,950	187,675	147,735
Licenses and permits	3,622	3,806	3,163	4,888
Use of money and property	57,943	41,426	70,813	131,774
Intergovernmental	258,010	269,734	278,738	382,721
Charges for services	240,793	232,567	243,213	238,976
Special assessments	81,370	44,082	54,971	43,074
Miscellaneous	99,152	72,315	145,596	147,537
 Total Receipts	 <u><u>\$ 2,445,830</u></u>	 <u><u>2,295,977</u></u>	 <u><u>2,330,062</u></u>	 <u><u>2,380,954</u></u>
Disbursements:				
Public safety	\$ 552,123	532,505	606,646	537,552
Public works	383,195	360,746	423,272	490,300
Culture and recreation	360,562	348,472	388,546	375,441
Community and economic development	199,484	123,659	91,216	316,102
General government	80,704	77,306	80,646	95,505
Debt service	576,962	581,738	456,983	442,778
Capital projects	199,781	0	329,571	62,948
 Total Disbursements	 <u><u>\$ 2,352,811</u></u>	 <u><u>2,024,426</u></u>	 <u><u>2,376,880</u></u>	 <u><u>2,320,626</u></u>

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

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
482,027	556,235	544,505	565,217	587,057	578,685
752,995	663,129	553,230	458,163	415,475	429,544
154,214	140,268	132,969	137,841	126,999	146,683
5,350	4,596	3,769	3,480	3,988	4,380
133,847	122,356	52,117	30,279	43,952	96,416
299,242	645,188	397,101	226,039	375,358	244,528
239,900	232,693	205,340	206,891	197,821	182,139
141,176	18,156	38,204	16,938	14,803	14,843
141,636	141,388	158,392	153,762	187,930	229,269
<u>2,350,387</u>	<u>2,524,009</u>	<u>2,085,627</u>	<u>1,798,610</u>	<u>1,953,383</u>	<u>1,926,487</u>
435,163	424,389	448,647	374,684	417,936	386,863
380,796	339,875	339,900	286,947	341,063	391,550
300,204	318,738	271,641	282,080	299,818	1,876,388
209,294	449,145	267,539	263,195	230,929	155,914
79,751	84,434	81,583	94,410	80,268	96,847
525,228	1,357,768	428,635	420,567	427,223	357,910
140,155	1,715,417	677,317	183,902	0	0
<u>2,070,591</u>	<u>4,689,766</u>	<u>2,515,262</u>	<u>1,905,785</u>	<u>1,797,237</u>	<u>3,265,472</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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated October 14, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, 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 deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Lake Mills' financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

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, 2011 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.

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
October 14, 2011

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2011

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 significant deficiency 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, 2011

Part II: Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant Deficiency

11-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, 2011

Part III: Other Findings Related to Statutory Reporting

11-III-A Certified Budget

The City properly approved a certified budget for the year ended June 30, 2011 and subsequently amended that budget. The budgeted amounts were not exceeded during the year.

11-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.

11-III-C Travel Expense

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

11-III-D Business Transactions

During the year ended June 30, 2011, there were no transactions between the City and City officials.

11-III-E Bond Coverage

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

11-III-F Council Minutes

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

11-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.

11-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.

11-III-I Payment of Sales Tax

It was noted that a vendor was including sales tax on invoices to the City for items that are tax exempt and the City had paid the tax. Invoices should be carefully monitored so that the City does not improperly pay sales tax.

Response: We will improve the process for monitoring invoices to avoid paying sales tax. In addition, the sales tax that has been paid will be recovered through the quarterly use tax filing.

Conclusion: Response accepted.

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2011

11-III-J Economic Development

The City of Lake Mills paid \$25,000 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.

11-III-K Deficit Fund Balance

At June 30, 2011, the City had a deficit fund balance in the Capital Projects Fund of \$97,356. This deficit is to be eliminated through the collection of special assessments. At June 30, 2011, the City had a deficit fund balance in the Storm Water Fund of \$70,761. This deficit is to be eliminated through the receipt of a grant. The City should carefully monitor the deficit fund balances to be sure they are eliminated.

Response: We will monitor the fund balances to be sure they are eliminated.

Conclusion: Response accepted.