

CITY OF LAKE MILLS

Lake Mills, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2012

With Independent Auditor's Reports

CITY OF LAKE MILLS
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CITY OF LAKE MILLS

City Officials
June 30, 2012

Prior to January 1, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David E. Steffens	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

Subsequent to December 31, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David E. Steffens	Mayor	January 2014
Candy Hanna	Mayor Pro-Tem	January 2014
Bill Clark	Council Member	January 2016
Nathan Ostrander	Council Member	January 2014
Tony Sorenson	Council Member	January 2016
Stephanie Steffens	Council Member	January 2016
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, 2012, 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, 2012, 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 21, 2012 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. The purpose of that report is to describe the scope of my testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 23 through 24 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, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included on pages 22 and pages 26 through 33, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information 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 21, 2012

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, 2012. It should be read in conjunction with the City's financial statements, which immediately follow this section.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased approximately 5%, or \$119,694, from Fiscal Year 2011 to Fiscal Year 2012. Increased Operating Grants & Contributions, Capital Grants & Contributions, Local Option Sales Tax and interest revenue were the major reasons for the increase in FY 2012.
- Disbursements of the City's governmental activities increased approximately 38%, or \$899,600, from Fiscal Year 2011 to Fiscal Year 2012. The increase was mainly due to expenditures for replacing sidewalk at the Police Department, endloader, new furnace/air conditioner upstairs City Hall, copy machine, Safe Routes, painting pool, TIF Grant to Lake Mills Entertainment for the Helland/Skellenger buildings, loan to Lake Mills Entertainment for the theater, Revolving Loan Fund Loan to Teluwut, East Main Street Reconstruction Project, Cummins Building and Bond Refunding.
- The City's total cash basis net assets increased 13%, or \$1,149,931, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased \$165,814 and the assets of the business type activities increased by \$984,117.

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 \$2,674,962 to \$2,840,776 for Fiscal Year 2012. 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>2012</u>	<u>2011</u>
Receipts & Transfers:		
Program Receipts:		
Charges for Service	\$ 264,167	\$ 264,324
Operating Grants and Contributions	342,709	320,676
Capital Grants and Contributions	144,002	67,288
General Receipts:		
Property tax levied for:		
General purposes	498,164	482,157
Tax increment financing	1,033,506	1,040,827
Debt service	10,022	9,948
Local option sales tax	184,210	172,008
Unrestricted interest on investments	68,840	55,396
Proceeds of Long Term Debt	837,900	0
Miscellaneous	19,904	33,206
Transfers	14,801	154,354
Total Receipts and Transfers	<u>3,418,225</u>	<u>2,600,184</u>
Disbursements		
Public Safety	515,919	552,123
Public Works	370,515	383,195
Culture and Recreation	358,442	360,562
Community and Economic Development	545,232	199,484
General Government	91,179	80,704
Debt Service	1,261,554	576,962
Capital Projects	109,570	199,781
Total Disbursements	<u>3,252,411</u>	<u>2,352,811</u>
Increase in Cash Basis Net Assets	165,814	247,373
Cash Basis Net Assets beginning of year	<u>2,674,962</u>	<u>2,427,589</u>
Cash Basis Net Assets end of year	<u>\$ 2,840,776</u>	<u>\$ 2,674,962</u>

The City's total receipts & transfers for governmental activities increased approximately 31%, or \$818,041. The increase in receipts & transfers was due to: Operating Grants & Contributions, Capital Grants & Contributions, Local Option Sales Tax, Interest, Miscellaneous Revenues and Bond Refunding.

The total cost of all programs and services increased by approximately 38% or \$899,600. Community and Economic Development was up \$345,748 due to a Development Grant to Lake Mills Entertainment, Revolving Loan Fund Loan to Teluwut, Loan to Lake Mills Entertainment for theater and Safe Routes. Debt Service was up due to Bond Refunding.

The City property tax rate remained unchanged for Fiscal Year 2012. The overall taxable valuation for the City remained steady.

The cost of all governmental activities this year was \$3.25 million compared to \$2.35 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 \$1.542 million. Other funding came from fees paid by those directly benefited from the programs (\$264,167), by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$486,711). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2012 from \$652,288 to \$750,878, principally due to grant receipts for mulch and fence at Park, diving boards and painting pool, turnout gear for Fire Department and Safe Routes. The City paid for the remaining "public benefit" portion of governmental activities with \$1,541,962 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>2012</u>	<u>2011</u>
Receipts:		
Charges for service:		
Water	\$ 314,756	\$ 309,657
Sewer	260,210	270,980
Electric	3,497,777	3,242,233
Storm Water	52,829	54,835
Operating grants, contributions and restricted interest	54,629	44,381
Capital grants, contributions and restricted interest	<u>956,000</u>	<u>0</u>
Total Receipts	<u>5,136,201</u>	<u>3,922,086</u>
Disbursements and Transfers:		
Water	293,120	356,699
Sewer	255,819	186,890
Electric	2,678,798	2,624,355
Storm Water	909,546	263,276
Transfers	<u>14,801</u>	<u>154,354</u>
Total Disbursements and Transfers	<u>4,152,084</u>	<u>3,585,574</u>
Increase in Cash Basis Net Assets	984,117	336,512
Cash Basis Net Assets beginning of year	<u>6,284,915</u>	<u>5,948,403</u>
Cash Basis Net Assets end of year	<u><u>\$ 7,269,032</u></u>	<u><u>\$ 6,284,915</u></u>

Total business type activities receipts for the Fiscal Year were \$5.1 million compared to \$3.9 million last year. This increase was due primarily to the receipt of a \$956,000 Community Development Block Grant used to fund the storm water project. There was also an increase in water, sewer and electric rates. Total disbursements and transfers for the Fiscal Year were \$4.152 million compared to \$3.586 million last year. The main reason for this increase was the Storm Water Project. The cash balance increased by \$984,117. 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 \$2,840,776, an increase of \$165,814 from last year's total of \$2,674,962. 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 \$152,198 from the prior year to \$1,629,395. The major reason for this increase was Local Option Sales Tax receipts that were not used in this Fiscal Year.
- The Urban Renewal Tax Increment Fund cash balance decreased by \$742,495 to \$6,685 during the Fiscal Year. This balance is due to transfer out for Cummins Building, Storm Water Projects and 2013 Street Project.

- The Debt Service Fund cash balance stayed constant at \$59,981 during the Fiscal Year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$23,170 to \$507,317, due primarily to an increase in rates.
- The Sewer Fund cash balance increased by \$7,381 to \$942,562, due primarily to receipt of leachate revenue and an increase in rates.
- The Electric Fund cash balance increased by \$232,283 to \$5,168,631 primarily due to an increase in the electric rates.
- The Storm Water Fund cash balance increased by \$721,283 to 650,522, due primarily to reimbursement from the CDBG Disaster Grant and transfer in from TIF for the Storm Water Projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 21, 2012 and resulted in an increase in disbursements related to the use of grants, donations and memorials that were received, unanticipated repairs, Cummins Building and debt service.

DEBT ADMINISTRATION

On June 30, 2012, the City had \$1,934,000 in bonds and other long-term debt, compared to \$2,309,000 last year, as shown below.

City of Lake Mills' Outstanding Debt

	As of	
	<u>6/30/2012</u>	<u>6/30/2011</u>
General Obligation Bonds	\$ 1,490,000	\$ 1,840,000
Revenue Bonds	444,000	469,000
Total	<u>\$ 1,934,000</u>	<u>\$ 2,309,000</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 \$1,490,000 is significantly below its constitutional debt limit of \$5,118,522.

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 2013 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 – 2012. The City / County's unemployment rate of 5.5 percent is higher than the State's unemployment rate of 5.2 percent and is below the National rate of 8.3 percent.

Inflation in the State continues to be similar to the National Consumer Price Index which increased 1.7 percent during the past year.

These indicators were taken into account when adopting the budget for Fiscal Year 2013. Amounts available for appropriation in the 2013 operating budget are \$7.622 million, a decrease of 48.7% under the 2012 actual. Budgeted disbursements for 2013 decreased approximately 41.1% from the 2012 actual to \$7.218 million. The main reason for the decrease in amounts available and budgeted disbursements are: Phase II of the Storm Water Project, the Cummins Building, Refunding Bond and Development Grant to Lake Mills Entertainment for Fiscal Year 2012.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$404,000 by the close of 2013.

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, 2012

	<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	\$ 515,919	11,394	41,334	0
Public works	370,515	181,113	211,004	0
Culture and recreation	358,442	71,530	47,978	0
Community and economic development	545,232	130	42,393	117,436
General government	91,179	0	0	0
Debt service	1,261,554	0	0	0
Capital projects	109,570	0	0	26,566
Total Governmental Activities	<u>3,252,411</u>	<u>264,167</u>	<u>342,709</u>	<u>144,002</u>
Business type activities:				
Water	293,120	314,756	1,534	0
Sewer	255,819	260,210	2,990	0
Electric	2,678,798	3,497,777	50,105	0
Storm water	909,546	52,829	0	956,000
Total Business Type Activities	<u>4,137,283</u>	<u>4,125,572</u>	<u>54,629</u>	<u>956,000</u>
Total	<u>\$ 7,389,694</u>	<u>4,389,739</u>	<u>397,338</u>	<u>1,100,002</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
- 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, 2012

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

Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(463,191)	0	(463,191)
21,602	0	21,602
(238,934)	0	(238,934)
(385,273)	0	(385,273)
(91,179)	0	(91,179)
(1,261,554)	0	(1,261,554)
<u>(83,004)</u>	<u>0</u>	<u>(83,004)</u>
<u>(2,501,533)</u>	<u>0</u>	<u>(2,501,533)</u>
0	23,170	23,170
0	7,381	7,381
0	869,084	869,084
<u>0</u>	<u>99,283</u>	<u>99,283</u>
<u>0</u>	<u>998,918</u>	<u>998,918</u>
<u>(2,501,533)</u>	<u>998,918</u>	<u>(1,502,615)</u>
498,164	0	498,164
1,033,506	0	1,033,506
10,022	0	10,022
184,210	0	184,210
68,840	0	68,840
837,900	0	837,900
19,904	0	19,904
14,801	(14,801)	0
<u>2,667,347</u>	<u>(14,801)</u>	<u>2,652,546</u>
165,814	984,117	1,149,931
2,674,962	6,284,915	8,959,877
<u>\$ 2,840,776</u>	<u>7,269,032</u>	<u>10,109,808</u>
\$ 11,964	0	11,964
347,857	0	347,857
6,685	0	6,685
59,981	0	59,981
0	868,801	868,801
784,894	0	784,894
1,629,395	6,400,231	8,029,626
<u>\$ 2,840,776</u>	<u>7,269,032</u>	<u>10,109,808</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, 2012

	General	Special Revenue TIF	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 326,224	0	10,022	171,941	508,187
TIF revenues	0	1,033,506	0	0	1,033,506
Other city taxes	184,210	0	0	0	184,210
Licenses and permits	3,953	0	0	0	3,953
Use of money and property	68,956	1,620	0	332	70,908
Intergovernmental	56,553	0	0	309,113	365,666
Charges for services	243,286	0	0	0	243,286
Special assessments	0	12,522	0	26,566	39,088
Miscellaneous	79,034	6,723	0	30,963	116,720
Total Receipts	<u>962,216</u>	<u>1,054,371</u>	<u>10,022</u>	<u>538,915</u>	<u>2,565,524</u>
Disbursements:					
Operating:					
Public safety	505,099	0	0	0	505,099
Public works	204,749	1,400	0	133,854	340,003
Culture and recreation	358,442	0	0	0	358,442
Community and economic development	675	353,881	0	190,676	545,232
General government	91,205	0	0	(26)	91,179
Capital outlay:					
Public safety	10,820	0	0	0	10,820
Public works	0	0	0	30,512	30,512
Debt service	0	0	1,261,554	0	1,261,554
Capital projects	0	0	0	109,570	109,570
Total Disbursements	<u>1,170,990</u>	<u>355,281</u>	<u>1,261,554</u>	<u>464,586</u>	<u>3,252,411</u>
Excess (Deficit) of Receipts over (under) Disbursements	<u>(208,774)</u>	<u>699,090</u>	<u>(1,251,532)</u>	<u>74,329</u>	<u>(686,887)</u>
Other Financing Sources (Uses):					
Refunding bonds	0	0	837,900	0	837,900
Operating transfers in	360,972	500,000	416,386	851,313	2,128,671
Operating transfers out	0	(1,941,585)	0	(172,285)	(2,113,870)
	<u>360,972</u>	<u>(1,441,585)</u>	<u>1,254,286</u>	<u>679,028</u>	<u>852,701</u>
Net Change in Cash Balances	152,198	(742,495)	2,754	753,357	165,814
Cash Balances at Beginning of Year	1,477,197	749,180	57,227	391,358	2,674,962
Cash Balances at End of Yea	<u>\$ 1,629,395</u>	<u>6,685</u>	<u>59,981</u>	<u>1,144,715</u>	<u>2,840,776</u>
Cash Basis Fund Balances:					
Nonspendable - Permanent Fund	\$ 0	0	0	11,964	11,964
Restricted for:					
Debt service	0	0	59,981	0	59,981
Streets	0	0	0	0	0
Other purposes	0	6,685	0	1,132,751	1,139,436
Unassigned	1,629,395	0	0	0	1,629,395
	<u>\$ 1,629,395</u>	<u>6,685</u>	<u>59,981</u>	<u>1,144,715</u>	<u>2,840,776</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 - Proprietary Funds
As of and For the Year Ended June 30, 2012

	<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	\$ 310,253	197,838	3,482,030	48,994	4,039,115
Miscellaneous	4,503	62,372	15,747	3,835	86,457
Total Operating Receipts	<u>314,756</u>	<u>260,210</u>	<u>3,497,777</u>	<u>52,829</u>	<u>4,125,572</u>
Disbursements:					
Operating:					
Business type activities	247,269	208,512	2,458,555	16,053	2,930,389
Capital outlay:					
Business type activities	6,781	47,307	220,243	893,493	1,167,824
Total Operating Disbursements	<u>254,050</u>	<u>255,819</u>	<u>2,678,798</u>	<u>909,546</u>	<u>4,098,213</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>60,706</u>	<u>4,391</u>	<u>818,979</u>	<u>(856,717)</u>	<u>27,359</u>
Non-Operating Receipts (Disbursements):					
Use of money and property	1,534	2,990	50,105	0	54,629
Governmental grant	0	0	0	956,000	956,000
Debt service	(39,070)	0	0	0	(39,070)
Total Non-Operating Receipts (Disbursements)	<u>(37,536)</u>	<u>2,990</u>	<u>50,105</u>	<u>956,000</u>	<u>971,559</u>
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(636,801)</u>	<u>622,000</u>	<u>(14,801)</u>
Net Change in Cash Balances	23,170	7,381	232,283	721,283	984,117
Cash Balances at Beginning 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 Balances at End of Year	<u>\$ 507,317</u>	<u>942,562</u>	<u>5,168,631</u>	<u>650,522</u>	<u>7,269,032</u>
Cash Basis Fund Balances:					
Restricted for equipment purchase	\$ 0	0	868,801	0	868,801
Unrestricted	<u>507,317</u>	<u>942,562</u>	<u>4,299,830</u>	<u>650,522</u>	<u>6,400,231</u>
Total Cash Basis Fund Balance:	<u>\$ 507,317</u>	<u>942,562</u>	<u>5,168,631</u>	<u>650,522</u>	<u>7,269,032</u>

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

CITY OF LAKE MILLS
Notes to the Financial Statements
June 30, 2012

(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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF LAKE MILLS
Notes to the Financial Statements - Continued

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.

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 Fund:

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.

CITY OF LAKE MILLS
Notes to the Financial Statements – Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

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, 2012 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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, 2012 included \$237,391 deposited with the Iowa Public Agency Investment Trust and \$68,131 deposited with the Wisconsin State Treasurer through the Western Wisconsin Municipal Power Group.

CITY OF LAKE MILLS
Notes to the Financial Statements – Continued

(3) Long-Term Debt

A summary of the City's June 30, 2012 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>	
2013	0 - 3.00%	\$ 390,000	21,781	26,000	13,320	451,101
2014	0 - 3.00	290,000	18,250	27,000	12,540	347,790
2015	0 - 3.00	300,000	14,920	28,000	11,730	354,650
2016	0 - 3.00	300,000	10,900	28,000	10,890	349,790
2017	0 - 3.00	110,000	6,250	29,000	10,050	155,300
		<u>1,390,000</u>	<u>72,101</u>	<u>138,000</u>	<u>58,530</u>	<u>1,503,331</u>
2018-2022	3.00 - 3.25	100,000	3,250	160,000	36,600	299,850
2022-2026	3.00	0	0	146,000	6,720	152,720
		<u>\$ 1,490,000</u>	<u>75,351</u>	<u>444,000</u>	<u>101,850</u>	<u>1,955,901</u>

Interest paid on general obligation bonds amounted to \$54,611 and interest paid on revenue bonds amounted to \$14,070 during the year ended June 30, 2012. All of these interest amounts were expensed.

Cash restricted for the payment of bonds at June 30, 2012 is as follows:

General Obligation Bonds	<u>\$ 59,981</u>
--------------------------	------------------

Changes in the general long-term debt account group during the year ended June 30, 2012 are summarized as follows:

Balance at beginning of year	\$ 1,840,000
New debt issued	840,000
Principal paid	<u>(1,190,000)</u>
Balance at end of year	<u>\$ 1,490,000</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>
2013	\$ 39,320
2014	39,540
2015	39,730
2016	<u>38,890</u>
2017	39,050
	196,530
2018-2022	196,600
2023-2026	<u>152,720</u>
	<u>\$ 545,850</u>

CITY OF LAKE MILLS
Notes to the Financial Statements – Continued

During the year ended June 30, 2012, The City issued new General Obligation Bonds which refinanced two old bond issues. The purpose of the new bond issue was to take advantage of lower interest rates. The proformaed comparative cash flow between the previous issues and the new issue is as follows:

Year Ending June 30,	Prior Debt Service			Current Debt Service		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 270,000	28,585	298,585	280,000	6,031	286,031
2014	175,000	19,540	194,540	180,000	4,500	184,500
2015	185,000	13,503	198,503	190,000	3,420	193,420
2016	190,000	6,935	196,935	190,000	1,900	191,900
	<u>\$ 820,000</u>	<u>68,563</u>	<u>888,563</u>	<u>840,000</u>	<u>15,851</u>	<u>855,851</u>

After debt issue costs, the savings to the City from the debt refinancing is approximately \$30,000.

(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 5.38% of their annual salary and the City is required to contribute 8.07% 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, 2012, 2011, and 2010 were \$83,020, \$75,869, and \$67,921, 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, 2012 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 64,293
Sick leave	172,362
	<u>\$ 236,655</u>

The liability has been computed based on rates of pay as of June 30, 2012.

(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.

CITY OF LAKE MILLS

Notes to the Financial Statements - Continued

(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 1% and are summarized as follows:

Cavett's Lawn and Garden Center	\$ 20,334
Quality Composites	50,000
Teluwut Grillhouse & Pub	50,000
	<u>\$ 120,334</u>

In addition, the City holds a note receivable from Lake Mills Entertainment with an outstanding balance of \$92,478 at June 30, 2012. This loan is being paid in monthly installments of \$598 and carries an interest rate of 2%. Final payment of the loan is scheduled for May 2027.

(9) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Fund - Employee Benefits	\$ 165,863
	Special Revenue Fund – TIF	5,664
	Capital Projects Fund	6,422
	Proprietary Fund – Electric	<u>183,023</u>
		<u>360,972</u>
Special Revenue Fund - TIF	Proprietary Fund – Electric	<u>500,000</u>
Debt Service Fund	Special Revenue Fund – TIF	<u>416,386</u>
Capital Projects Fund	Special Revenue Fund – TIF	<u>851,313</u>
Proprietary Fund - Electric	Special Revenue Fund – TIF	<u>46,222</u>
Proprietary Fund - Storm Water	Special Revenue Fund – TIF	<u>622,000</u>
		<u>\$ 2,796,893</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 24% of the charges for services in the enterprise funds during the year ended June 30, 2012. During the year ended June 30, 2010, this customer announced that it would significantly reduce its level of operations in Lake Mills.
- (11) Budget Overexpenditure
Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2012, disbursements in the debt service and capital projects functions exceeded the amount budgeted.
- (12) Commitments
At June 30, 2012, the City had an outstanding commitment for the purchase of real estate in the amount of \$675,000.

CITY OF LAKE MILLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
United States Department of Agriculture Forestry Bureau	10.766		\$ 1,750
Indirect:			
United States Department of Housing and Urban Development Passed through the Iowa Economic Development Authority Community Development Block Grant	14.228	08-DRI-267	883,463
Federal Highway Administration Passed through the Iowa Department of Transportation	20.205	07-SRTS-016	131,613
			<u>\$ 1,016,826</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lake Mills and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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, 2012

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	\$ 508,187	0	508,187
TIF revenues	1,033,506	0	1,033,506
Other city taxes	184,210	0	184,210
Licenses and permits	3,953	0	3,953
Use of money and property	70,908	54,629	125,537
Intergovernmental	365,666	956,000	1,321,666
Charges for service	243,286	4,125,572	4,368,858
Special assessments	39,088	0	39,088
Miscellaneous	116,720	0	116,720
Total Receipts	<u>2,565,524</u>	<u>5,136,201</u>	<u>7,701,725</u>
Disbursements:			
Public safety	515,919	0	515,919
Public works	370,515	0	370,515
Culture and recreation	358,442	0	358,442
Community and economic development	545,232	0	545,232
General government	91,179	0	91,179
Debt service	1,261,554	0	1,261,554
Capital projects	109,570	0	109,570
Business type activities	0	4,137,283	4,137,283
Total Disbursements	<u>3,252,411</u>	<u>4,137,283</u>	<u>7,389,694</u>
Excess (Deficit) of Receipts over (under) Disbursements	(686,887)	998,918	312,031
Other Financing Sources (net)	<u>852,701</u>	<u>(14,801)</u>	<u>837,900</u>
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	165,814	984,117	1,149,931
Balances at Beginning of Year	2,674,962	6,284,915	8,959,877
Balances at End of Year	<u>\$ 2,840,776</u>	<u>7,269,032</u>	<u>10,109,808</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, 2012

<u>Budgeted Amount</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
503,344	503,344	4,843
998,580	998,580	34,926
155,038	155,038	29,172
3,710	3,710	243
82,520	82,520	43,017
1,311,572	1,314,100	7,566
4,397,960	4,397,960	(29,102)
0	0	39,088
115,276	158,081	(41,361)
<u>7,568,000</u>	<u>7,613,333</u>	<u>88,392</u>
526,921	548,678	32,759
482,432	506,732	136,217
354,380	386,469	28,027
167,913	1,259,460	714,228
86,651	96,920	5,741
426,185	1,146,460	(115,094)
0	0	(109,570)
5,234,304	5,343,723	1,206,440
<u>7,278,786</u>	<u>9,288,442</u>	<u>1,898,748</u>
289,214	(1,675,109)	1,987,140
<u>0</u>	<u>720,275</u>	<u>117,625</u>
289,214	(954,834)	2,104,765
8,616,262	17,574,059	(8,614,182)
<u>8,905,476</u>	<u>16,619,225</u>	<u>(6,509,417)</u>

CITY OF LAKE MILLS
Notes to Required Supplementary Information
June 30, 2012

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 \$45,333 and budgeted disbursements by \$2,009,656. The budget amendment is reflected in the final budgeted figures.

During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the debt service and capital projects functions.

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, 2012

	Road Use <u>Tax</u>	<u>Special Revenue</u> Employee <u>Benefits</u>	Revolving <u>Loan Fund</u>
Receipts:			
Property tax	\$ 0	171,941	0
Use of money and property	0	0	282
Intergovernmental	200,740	0	0
Special assessments	0	0	0
Miscellaneous	0	0	8,386
Total Receipts	200,740	171,941	8,668
Disbursements:			
Operating:			
Public works	122,311	0	0
Community and economic development	0	0	50,000
General government	0	0	0
Capital projects	0	0	0
Capital outlay:			
Public works	30,512	0	0
Total Disbursements	152,823	0	50,000
Excess (Deficit) of Receipts over (under) Disbursements	47,917	171,941	(41,332)
Operating transfers in (out)	0	(165,863)	0
Net Change in Cash Balances	47,917	6,078	(41,332)
Cash Balances at Beginning of Year	299,940	2,260	153,357
Cash Balances at End of Year	\$ 347,857	8,338	112,025
Cash Basis Cash Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for other purposes	347,857	8,338	112,025
	\$ 347,857	8,338	112,025

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, 2012

<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
0	0	171,941
0	50	332
0	108,373	309,113
26,566	0	26,566
0	22,577	30,963
<u>26,566</u>	<u>131,000</u>	<u>538,915</u>
0	11,543	133,854
0	140,676	190,676
0	(26)	(26)
109,570	0	109,570
0	0	30,512
<u>109,570</u>	<u>152,193</u>	<u>464,586</u>
(83,004)	(21,193)	74,329
<u>844,891</u>	<u>0</u>	<u>679,028</u>
761,887	(21,193)	753,357
(97,356)	33,157	391,358
<u>664,531</u>	<u>11,964</u>	<u>1,144,715</u>
0	11,964	11,964
<u>664,531</u>	<u>0</u>	<u>1,132,751</u>
<u>664,531</u>	<u>11,964</u>	<u>1,144,715</u>

CITY OF LAKE MILLS
 Schedule of Long-Term Debt and Interest
 June 30, 2012

	<u>Date of Issue</u>	<u>Interest Rates</u>
General Obligation Bonds:		
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%
G.O. Refunding	May 23, 2012	0.50% - 1.00%
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, 2012

Amount Originally Issued	Balance June 30, 2011	Issued	Redeemed	Balance June 30, 2012	Interest Paid
\$ 745,000	\$ 200,000	0	200,000	0	6,576
1,730,000	880,000	0	880,000	0	30,435
100,000	60,000	0	10,000	50,000	0
900,000	700,000	0	100,000	600,000	17,600
840,000	0	840,000	0	840,000	0
	<u>1,840,000</u>	<u>840,000</u>	<u>1,190,000</u>	<u>1,490,000</u>	<u>54,611</u>
540,000	<u>469,000</u>	<u>0</u>	<u>25,000</u>	<u>444,000</u>	<u>14,070</u>
	<u>\$ 2,309,000</u>	<u>840,000</u>	<u>1,215,000</u>	<u>1,934,000</u>	<u>\$ 68,681</u>

CITY OF LAKE MILLS

Bond Maturities

June 30, 2012

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>					
	Iowa Department of <u>Public Safety</u>		G.O. Urban Renewal <u>Storm Water</u>		G.O. Refinancing <u>Issued 5/23/12</u>	
	<u>Issued 10-4-07</u>		<u>Issued 5/18/09</u>			
	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>	Interest <u>Rates</u>	<u>Amount</u>
2013	--	\$ 10,000	2.00%	100,000	0.50	280,000
2014	--	10,000	2.25	100,000	0.60	180,000
2015	--	10,000	2.50	100,000	0.80	190,000
2016	--	10,000	2.75	100,000	1.00	190,000
2017	--	10,000	3.00	100,000	--	--
2018	--	--	3.25	100,000	--	--
		<u>\$ 50,000</u>		<u>600,000</u>		<u>840,000</u>

Year Ending <u>June 30,</u>	<u>Water Revenue Bonds</u>	
	<u>Issued 8-20-08</u>	
	Interest <u>Rates</u>	<u>Amount</u>
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>\$ 444,000</u>

CITY OF LAKE MILLS
Bond Maturities
June 30, 2012

<u>Total</u>
390,000
290,000
300,000
300,000
110,000
100,000
<u>1,490,000</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:				
Property tax	\$ 508,187	492,105	483,680	470,325
TIF revenues	1,033,506	1,040,827	996,417	875,568
Other city taxes	184,210	172,008	151,950	187,675
Licenses and permits	3,953	3,622	3,806	3,163
Use of money and property	70,908	57,943	41,426	70,813
Intergovernmental	365,666	258,010	269,734	278,738
Charges for services	243,286	240,793	232,567	243,213
Special assessments	39,088	81,370	44,082	54,971
Miscellaneous	116,720	99,152	72,315	145,596
 Total Receipts	 <u><u>\$ 2,565,524</u></u>	 <u><u>2,445,830</u></u>	 <u><u>2,295,977</u></u>	 <u><u>2,330,062</u></u>
Disbursements:				
Public safety	\$ 515,919	552,123	532,505	606,646
Public works	370,515	383,195	360,746	423,272
Culture and recreation	358,442	360,562	348,472	388,546
Community and economic development	545,232	199,484	123,659	91,216
General government	91,179	80,704	77,306	80,646
Debt service	1,261,554	576,962	581,738	456,983
Capital projects	109,570	199,781	0	329,571
 Total Disbursements	 <u><u>\$ 3,252,411</u></u>	 <u><u>2,352,811</u></u>	 <u><u>2,024,426</u></u>	 <u><u>2,376,880</u></u>

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

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
444,956	482,027	556,235	544,505	565,217	587,057
839,293	752,995	663,129	553,230	458,163	415,475
147,735	154,214	140,268	132,969	137,841	126,999
4,888	5,350	4,596	3,769	3,480	3,988
131,774	133,847	122,356	52,117	30,279	43,952
382,721	299,242	645,188	397,101	226,039	375,358
238,976	239,900	232,693	205,340	206,891	197,821
43,074	141,176	18,156	38,204	16,938	14,803
147,537	141,636	141,388	158,392	153,762	187,930
<u>2,380,954</u>	<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>
537,552	435,163	424,389	448,647	374,684	417,936
490,300	380,796	339,875	339,900	286,947	341,063
375,441	300,204	318,738	271,641	282,080	299,818
316,102	209,294	449,145	267,539	263,195	230,929
95,505	79,751	84,434	81,583	94,410	80,268
442,778	525,228	1,357,768	428,635	420,567	427,223
62,948	140,155	1,715,417	677,317	183,902	0
<u>2,320,626</u>	<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>

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated November 21, 2012. 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 and correct 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 IV 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, 2012 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
November 21, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

I have audited the City of Lake Mills, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Lake Mills' major federal program for the year ended June 30, 2012. The City of Lake Mills' major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Lake Mills' management. My responsibility is to express an opinion on the City of Lake Mills' compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the City of Lake Mills' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Lake Mills' compliance with those requirements.

In my opinion, the City of Lake Mills complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Lake Mills is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing my audit, I considered the City of Lake Mills' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing

an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Lake Mills' internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, I identified a deficiency in internal control over compliance I consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 12-III-A to be a significant deficiency.

The City of Lake Mills' responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

s/Stanley E. Siebke

Urbandale, Iowa
November 21, 2012

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2012

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.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grant passed through the Iowa Economic Development Authority.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) the City of Lake Mills did not qualify as a low-risk auditee.

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant Deficiency

12-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, 2012

Part III: Findings for Federal Awards

Instances of non-compliance

No matters were noted.

Internal Control Deficiency

12-III-A Segregation of Duties

The City did not adequately segregate the duties of cash receipts, cash disbursements and bank deposits. See item 12-II-A.

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

Part III: Other Findings Related to Statutory Reporting

12-IV-A Certified Budget

City expenditures during the year ended June 30, 2012 exceeded amounts budgeted therefore in the debt service and capital projects functions. Chapter 384 of the Code of Iowa prohibits such budget overruns. City officials should carefully monitor expenditures and prepare budget amendments when necessary.

Response: The overrun in the debt service function was caused by a payment during the refinancing of existing debt. The overrun in the capital projects function was caused by unexpected payments made late in the fiscal year that were not anticipated. We will try to anticipate these expenditures in the future so that the proper budget amendments can be prepared.

Conclusion: Response accepted.

12-IV-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.

12-IV-C Travel Expense

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

12-IV-D Business Transactions

During the year ended June 30, 2012, there were no transactions between the City and City officials.

12-IV-E Bond Coverage

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

12-IV-F Council Minutes

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

12-IV-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.

12-IV-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.

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2012

12-IV-I 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.