

CITY OF LAKE MILLS

Lake Mills, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2013

With Independent Auditor's Reports

CITY OF LAKE MILLS
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CITY OF LAKE MILLS

City Officials
June 30, 2013

<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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents of this report.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

My audit was conducted 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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included on pages 25 through 31 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 22 through 24 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 11, 2013 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 in considering the City of Lake Mills' internal control over financial reporting and compliance.

S/ Stanley E. Siebke

Urbandale, Iowa
November 11, 2013

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, 2013. It should be read in conjunction with the City's financial statements, which immediately follow this section.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased approximately 5%, or \$139,457, from Fiscal Year 2012 to Fiscal Year 2013. Decreased Operating Grants & Contributions, Capital Grants & Contributions were major reasons for the decrease in FY 2013.
- Disbursements of the City's governmental activities decreased approximately 19%, or \$603,751, from Fiscal Year 2012 to Fiscal Year 2013. The decrease was mainly due to disbursements in 2012 for Safe Routes, 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 6%, or \$649,557, from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities decreased \$340,079 and the assets of the business type activities increased by \$989,636.

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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer, electric system and storm water. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric and storm water funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$2,840,776 to \$2,500,697 for Fiscal Year 2013. The analysis that follows focuses on the changes in cash balances for governmental activities.

	<u>2013</u>	<u>2012</u>
Receipts & Transfers:		
Program Receipts:		
Charges for Service	\$ 325,391	264,167
Operating Grants and Contributions	307,419	342,709
Capital Grants and Contributions	44,553	144,002
General Receipts:		
Property tax levied for:		
General purposes	546,251	498,164
Tax increment financing	878,761	1,033,506
Debt service	10,045	10,022
Local option sales tax	194,893	184,210
Unrestricted interest on investments	85,319	68,840
Proceeds of Long Term Debt	0	837,900
Miscellaneous	33,435	19,904
Transfers	(117,486)	14,801
Total Receipts and Transfers	<u>2,308,581</u>	<u>3,418,225</u>
Disbursements		
Public Safety	573,078	515,919
Public Works	362,678	370,515
Culture and Recreation	367,390	358,442
Community and Economic Development	115,660	545,232
General Government	80,753	91,179
Debt Service	412,781	1,261,554
Capital Projects	736,320	109,570
Total Disbursements	<u>2,648,660</u>	<u>3,252,411</u>
Increase (Decrease) in Cash Balances	(340,079)	165,814
Cash Balances at beginning of year	<u>2,840,776</u>	<u>2,674,962</u>
Cash Balances at end of year	<u>\$ 2,500,697</u>	<u>2,840,776</u>

The City's total receipts & transfers for governmental activities decreased approximately 32%, or \$1,109,644. The decrease in receipts & transfers was due to: Operating Grants & Contributions, Capital Grants & Contributions, and Bond Refunding in 2012.

The total cost of all programs and services decreased by approximately 19% or \$603,751. Community and Economic Development was down \$429,572 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 in 2012. Debt Service was down due to Bond Refunding in 2012. Capital Projects were up due to Cummins Building Purchase.

The City property tax rate decreased by 11 cents for Fiscal Year 2013. The overall taxable valuation for the City increased \$1.5 million.

The cost of all governmental activities this year was \$2.65 million compared to \$3.25 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 \$1.435 million. Other funding came from fees paid by those directly benefited from the programs (\$325,391), by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$351,972). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2013 from \$750,878 to \$677,363, principally due to the Safe Routes to School Project completed in 2012. The City paid for the remaining "public benefit" portion of governmental activities with \$1,435,057 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>2013</u>	<u>2012</u>
Receipts:		
Charges for service:		
Water	\$ 335,597	314,756
Sewer	325,380	260,210
Electric	3,631,174	3,497,777
Storm Water	49,328	52,829
Operating grants, contributions and restricted interest	81,237	54,629
Capital grants, contributions and restricted interest	0	956,000
Total Receipts	<u>4,422,716</u>	<u>5,136,201</u>
Disbursements and Transfers:		
Water	352,441	293,120
Sewer	285,338	255,819
Electric	2,498,707	2,678,798
Storm Water	414,080	909,546
Transfers	(117,486)	14,801
Total Disbursements and Transfers	<u>3,433,080</u>	<u>4,152,084</u>
Increase in Cash Balances	989,636	984,117
Cash Balances at beginning of year	<u>7,269,032</u>	<u>6,284,915</u>
Cash Balances at end of year	<u><u>\$ 8,258,668</u></u>	<u><u>7,269,032</u></u>

Total business type activities receipts for the Fiscal Year were \$4.4 million compared to \$5.1 million last year. This decrease was due primarily to the receipt of a \$956,000 Community Development Block Grant used to fund the storm water project in 2012. There was also an increase in water, sewer and electric rates. Total disbursements and transfers for the Fiscal Year were \$3.433 million compared to \$4.152 million last year. The main reason for this decrease was the Storm Water Project. The cash balance increased by \$989,636. The major contributing factor to the increase in cash balance is the increase in water, sewer and electric rates and funds that were budgeted in 2013 for the Feeder Exit Project at the Light Plant, but was not completed until 2014.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lake Mills completed the year, its governmental funds reported a combined fund balance of \$2,500,697, a decrease of \$340,079 from last year's total of \$2,840,776. 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 \$231,847 from the prior year to \$1,861,242. The major reasons for this increase were funds reserved for Fire Equipment/Truck, Sports Complex Fundraising, Grants received and spent in 2014, Local Option Sales Tax receipts that were not used in this Fiscal Year.
- The Road Use Fund cash balance increased by \$88,707 to \$436,564 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 \$16,769 to \$23,454 during the Fiscal Year.
- The Debt Service Fund cash balance stayed constant at \$60,026 during the Fiscal Year.
- The Capital Projects Fund decreased \$675,498 primarily due to the completion of the purchase of the Cummins building.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$15,840 to \$491,477, due primarily to expenditures for repairing lines and new water meters.
- The Sewer Fund cash balance increased by \$42,083 to \$984,645, due primarily to receipt of leachate revenue.
- The Electric Fund cash balance increased by \$996,188 to \$6,164,819 primarily due to an increase in the electric rates and funds that were budgeted in 2013 for the Feeder Exit Project at the Light Plant, but was not completed until 2014
- The Storm Water Fund cash balance decreased by \$32,795 to 617,727, due primarily to South Mill Storm Sewer Project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 20, 2013 and resulted in an increase in disbursements related to the use of grants, donations and memorials that were received, unanticipated repairs, Cummins Building, South Mill Storm Sewer and debt service.

DEBT ADMINISTRATION

On June 30, 2013, the City had \$1,518,000 in bonds and other long-term debt, compared to \$1,934,000 last year, as shown below.

	<u>6/30/2013</u>	<u>6/30/2012</u>
General Obligation Bonds	\$ 1,100,000	1,490,000
Revenue Bonds	418,000	444,000
Total	<u>\$ 1,518,000</u>	<u>1,934,000</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 \$1,100,000 is significantly below its constitutional debt limit of \$5,126,365.

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 2014 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 – 2013. The City / County's unemployment rate of 5.0 percent is higher than the State's unemployment rate of 4.6 percent and is below the National rate of 7.6 percent.

Inflation in the State continues to be similar to the National Consumer Price Index which increased 1.75% during the past year.

These indicators were taken into account when adopting the budget for Fiscal Year 2014. Amounts available for appropriation in the 2014 operating budget are \$7.595 million, a decrease of 5.5% from the 2013 actual. Budgeted disbursements for 2014 decreased approximately 3.5% from the 2013 actual to \$7.128 million. The main reason for the decrease in amounts available and budgeted disbursements is the Cummins Building.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$467,000 by the close of 2014.

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

Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2013

	<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	\$ 573,078	12,072	26,706	0
Public works	362,678	187,802	211,945	0
Culture and recreation	367,390	84,009	46,154	0
Community and economic development	115,660	0	22,614	23,240
General government	80,753	41,508	0	0
Debt service	412,781	0	0	0
Capital projects	736,320	0	0	21,313
Total Governmental Activities	<u>2,648,660</u>	<u>325,391</u>	<u>307,419</u>	<u>44,553</u>
Business type activities:				
Water	352,441	335,597	1,004	0
Sewer	285,338	325,380	2,041	0
Electric	2,498,707	3,631,174	56,235	0
Storm water	414,080	49,328	21,957	0
Total Business Type Activities	<u>3,550,566</u>	<u>4,341,479</u>	<u>81,237</u>	<u>0</u>
Total	<u>\$ 6,199,226</u>	<u>4,666,870</u>	<u>388,656</u>	<u>44,553</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 Position	
Cash Basis Net Position at Beginning of Year	
Cash Basis Net Position at End of Year	

Cash Basis Net Position:	
Restricted:	
Nonexpendable - Permanent Fund	
Expendable:	
Streets	
Urban renewal purposes	
Debt service	
Equipment purchase	
Other purposes	
Unrestricted	
Total Cash Basis Net Position	

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

CITY OF LAKE MILLS
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2013

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

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
(534,300)	0	(534,300)
37,069	0	37,069
(237,227)	0	(237,227)
(69,806)	0	(69,806)
(39,245)	0	(39,245)
(412,781)	0	(412,781)
(715,007)	0	(715,007)
<u>(1,971,297)</u>	<u>0</u>	<u>(1,971,297)</u>
0	(15,840)	(15,840)
0	42,083	42,083
0	1,188,702	1,188,702
0	(342,795)	(342,795)
<u>0</u>	<u>872,150</u>	<u>872,150</u>
<u>(1,971,297)</u>	<u>872,150</u>	<u>(1,099,147)</u>
546,251	0	546,251
878,761	0	878,761
10,045	0	10,045
194,893	0	194,893
85,319	0	85,319
33,435	0	33,435
(117,486)	117,486	0
<u>1,631,218</u>	<u>117,486</u>	<u>1,748,704</u>
(340,079)	989,636	649,557
2,840,776	7,269,032	10,109,808
<u>\$ 2,500,697</u>	<u>8,258,668</u>	<u>10,759,365</u>
\$ 37,070	0	37,070
436,564	0	436,564
23,454	0	23,454
60,026	0	60,026
0	683,774	683,774
93,308	0	93,308
1,850,275	7,574,894	9,425,169
<u>\$ 2,500,697</u>	<u>8,258,668</u>	<u>10,759,365</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, 2013

	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Receipts:					
Property tax	\$ 358,423	0	0	10,045	0
TIF revenues	0	0	867,913	0	0
Other city taxes	194,893	0	0	0	0
Licenses and permits	4,968	0	0	0	0
Use of money and property	126,942	0	1,799	0	0
Intergovernmental	57,992	202,502	0	0	0
Charges for services	257,476	0	0	0	0
Special assessments	0	0	10,848	0	21,313
Miscellaneous	59,808	0	5,333	0	7,303
Total Receipts	<u>1,060,502</u>	<u>202,502</u>	<u>885,893</u>	<u>10,045</u>	<u>28,616</u>
Disbursements:					
Operating:					
Public safety	546,088	0	0	0	0
Public works	203,503	113,600	11,745	0	0
Culture and recreation	366,190	0	1,200	0	0
Community and economic development	4,205	0	60,850	0	0
General government	80,753	0	0	0	0
Capital outlay:					
Public safety	26,990	0	0	0	0
Public works	8,250	13,071	0	0	0
Debt service	0	0	0	412,781	0
Capital projects	0	0	0	0	736,320
Total Disbursements	<u>1,235,979</u>	<u>126,671</u>	<u>73,795</u>	<u>412,781</u>	<u>736,320</u>
Excess (Deficit) of Receipts over (under) Disbursements	<u>(175,477)</u>	<u>75,831</u>	<u>812,098</u>	<u>(402,736)</u>	<u>(707,704)</u>
Other Financing Sources (Uses):					
Operating transfers in	407,324	12,876	0	402,781	37,755
Operating transfers out	0	0	(795,329)	0	(5,549)
	<u>407,324</u>	<u>12,876</u>	<u>(795,329)</u>	<u>402,781</u>	<u>32,206</u>
Net Change in Cash Balances	231,847	88,707	16,769	45	(675,498)
Cash Balances at Beginning of Year	1,629,395	347,857	6,685	59,981	664,531
Cash Balances at End of Yea	<u>\$ 1,861,242</u>	<u>436,564</u>	<u>23,454</u>	<u>60,026</u>	<u>(10,967)</u>
Cash Basis Fund Balances:					
Nonspendable - Permanent Fund	\$ 0	0	0	0	0
Restricted for:					
Debt service	0	0	0	60,026	0
Streets	0	0	0	0	0
Other purposes	0	436,564	23,454	0	0
Unassigned	1,861,242	0	0	0	(10,967)
	<u>\$ 1,861,242</u>	<u>436,564</u>	<u>23,454</u>	<u>60,026</u>	<u>(10,967)</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, 2013

Other Nonmajor Governmental Funds	<u>Total</u>
187,827	556,295
0	867,913
0	194,893
0	4,968
504	129,245
23,240	283,734
0	257,476
0	32,161
26,938	99,382
238,509	2,426,067
0	546,088
12,509	341,357
0	367,390
50,605	115,660
0	80,753
0	26,990
0	21,321
0	412,781
0	736,320
63,114	2,648,660
175,395	(222,593)
0	860,736
(177,344)	(978,222)
(177,344)	(117,486)
(1,949)	(340,079)
132,327	2,840,776
130,378	2,500,697
37,070	37,070
0	60,026
0	0
93,308	553,326
0	1,850,275
130,378	2,500,697

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, 2013

	<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	\$ 325,289	233,428	3,609,877	49,284	4,217,878
Miscellaneous	10,308	91,952	21,297	22,001	145,558
Total Operating Receipts	<u>335,597</u>	<u>325,380</u>	<u>3,631,174</u>	<u>71,285</u>	<u>4,363,436</u>
Disbursements:					
Operating:					
Business type activities	310,871	247,822	2,236,602	41,153	2,836,448
Capital outlay:					
Business type activities	2,250	37,516	262,105	372,927	674,798
Total Operating Disbursements	<u>313,121</u>	<u>285,338</u>	<u>2,498,707</u>	<u>414,080</u>	<u>3,511,246</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>22,476</u>	<u>40,042</u>	<u>1,132,467</u>	<u>(342,795)</u>	<u>852,190</u>
Non-Operating Receipts (Disbursements):					
Use of money and property	1,004	2,041	56,235	0	59,280
Debt service	(39,320)	0	0	0	(39,320)
Total Non-Operating Receipts (Disbursements)	<u>(38,316)</u>	<u>2,041</u>	<u>56,235</u>	<u>0</u>	<u>19,960</u>
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(192,514)</u>	<u>310,000</u>	<u>117,486</u>
Net Change in Cash Balances	(15,840)	42,083	996,188	(32,795)	989,636
Cash Balances at Beginning 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 Balances at End of Year	<u>\$ 491,477</u>	<u>984,645</u>	<u>6,164,819</u>	<u>617,727</u>	<u>8,258,668</u>
Cash Basis Fund Balances:					
Restricted for equipment purchase	\$ 0	0	683,774	0	683,774
Unrestricted	<u>491,477</u>	<u>984,645</u>	<u>5,481,045</u>	<u>617,727</u>	<u>7,574,894</u>
Total Cash Basis Fund Balance:	<u>\$ 491,477</u>	<u>984,645</u>	<u>6,164,819</u>	<u>617,727</u>	<u>8,258,668</u>

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

CITY OF LAKE MILLS
Notes to the Financial Statements
June 30, 2013

(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. The City provides numerous services to its citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, electric, garbage collection, recycling and storm water utilities for its citizens.

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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balances to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

CITY OF LAKE MILLS
Notes to the Financial Statements - Continued

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported 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 Funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

CITY OF LAKE MILLS
Notes to the Financial Statements – Continued

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.

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 Other Information.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2013 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.

CITY OF LAKE MILLS
Notes to the Financial Statements – Continued

The City's investments at June 30, 2013 included \$165,862 deposited with the Iowa Public Agency Investment Trust and \$16,230 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, 2013 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>	
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
2018	3.00 - 3.25	100,000	3,250	30,000	9,180	142,430
		<u>1,100,000</u>	<u>53,570</u>	<u>142,000</u>	<u>54,390</u>	<u>1,052,230</u>
2019-2023	3.00	0	0	165,000	31,800	196,800
2024-2026	3.00	0	0	111,000	6,720	117,720
		<u>\$ 1,100,000</u>	<u>53,570</u>	<u>418,000</u>	<u>92,910</u>	<u>1,366,750</u>

Interest paid on general obligation bonds amounted to \$21,781 and interest paid on revenue bonds amounted to \$13,320 during the year ended June 30, 2013. All of these interest amounts were expensed.

Cash restricted for the payment of bonds at June 30, 2013 is as follows:

General Obligation Bonds	<u>\$ 60,026</u>
--------------------------	------------------

Changes in the general long-term debt account group during the year ended June 30, 2013 are summarized as follows:

Balance at beginning of year	\$ 1,490,000
New debt issued	0
Principal paid	<u>(390,000)</u>
Balance at end of year	<u>\$ 1,100,000</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 39,540
2015	39,730
2016	38,890
2017	39,050
2018	<u>39,180</u>
	196,390
2019-2023	196,800
2024-2026	<u>117,720</u>
	<u>\$ 510,910</u>

CITY OF LAKE MILLS
Notes to the Financial Statements – Continued

(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 5.78% of their annual salary and the City is required to contribute 8.67% 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, 2013, 2012, and 2011 were \$88,065, \$83,020, and \$75,869, 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, 2013 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 67,660
Sick leave	208,453
	<u>\$ 276,113</u>

The liability has been computed based on rates of pay as of June 30, 2013.

(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) Deficit Fund Balance

At June 30, 2013, the Capital Projects Fund had a deficit fund balance of \$10,967 as a result of disbursements exceeding receipts during the year ended June 30, 2013. This deficit will be eliminated through future special assessments and transfers.

CITY OF LAKE MILLS
Notes to the Financial Statements - Continued

(9) 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	\$ 11,863
Quality Composites	46,488
Teluwut Grillhouse & Pub	50,000
John Hegel d/b/a Main Street Pizza	50,000
	\$ 158,351

In addition, the City holds a note receivable from Lake Mills Entertainment with an outstanding balance of \$87,588 at June 30, 2013. This loan is being paid in monthly installments of \$594 and carries an interest rate of 2%. Final payment of the loan is scheduled for May 2027.

(10) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Fund - Employee Benefits	\$ 164,468
	Special Revenue Fund - TIF	24,793
	Capital Projects Fund	5,549
	Proprietary Fund - Electric	212,514
		407,324
Special Revenue - Road Use Tax	Special Revenue Fund - Employee Benefits	12,876
Debt Service Fund	Special Revenue Fund - TIF	402,781
Capital Projects Fund	Special Revenue Fund - TIF	37,755
Proprietary Fund - Electric	Special Revenue Fund - TIF	20,000
Proprietary Fund - Storm Water	Special Revenue Fund - TIF	310,000
		\$ 1,190,736

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

(11) Major Customer

The City of Lake Mills Enterprise Funds have one major customer which accounted for 22% of the charges for services in the enterprise funds during the year ended June 30, 2013. During the year ended June 30, 2010, this customer announced that it would significantly reduce its level of operations in Lake Mills.

(12) Commitments

At June 30, 2013, the City had outstanding commitments on construction contracts in the amount of \$229,427.

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, 2013

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	\$ 556,295	0	556,295
TIF revenues	867,913	0	867,913
Other city taxes	194,893	0	194,893
Licenses and permits	4,968	0	4,968
Use of money and property	129,245	59,280	188,525
Intergovernmental	283,734	0	283,734
Charges for service	257,476	4,363,436	4,620,912
Special assessments	32,161	0	32,161
Miscellaneous	99,382	0	99,382
Total Receipts	<u>2,426,067</u>	<u>4,422,716</u>	<u>6,848,783</u>
Disbursements:			
Public safety	573,078	0	573,078
Public works	362,678	0	362,678
Culture and recreation	367,390	0	367,390
Community and economic development	115,660	0	115,660
General government	80,753	0	80,753
Debt service	412,781	0	412,781
Capital projects	736,320	0	736,320
Business type activities	0	3,550,566	3,550,566
Total Disbursements	<u>2,648,660</u>	<u>3,550,566</u>	<u>6,199,226</u>
Excess (Deficit) of Receipts over (under) Disbursements	(222,593)	872,150	649,557
Other Financing Sources (net)	<u>(117,486)</u>	<u>117,486</u>	<u>0</u>
Excess (Deficit) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	(340,079)	989,636	649,557
Balances at Beginning of Year	2,840,776	7,269,032	10,109,808
Balances at End of Year	<u>\$ 2,500,697</u>	<u>8,258,668</u>	<u>10,759,365</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, 2013

<u>Budgeted Amount</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
551,674	551,674	4,621
960,682	960,682	(92,769)
128,528	128,528	66,365
3,735	3,735	1,233
80,800	80,800	107,725
226,915	253,622	30,112
4,482,537	4,495,037	125,875
0	0	32,161
41,784	142,938	(43,556)
<u>6,476,655</u>	<u>6,617,016</u>	<u>231,767</u>
542,472	578,713	5,635
471,743	484,844	122,166
342,001	400,233	32,843
38,809	155,209	39,549
90,545	90,545	9,792
425,835	425,835	13,054
0	774,407	38,087
4,161,694	4,400,625	850,059
<u>6,073,099</u>	<u>7,310,411</u>	<u>1,111,185</u>
403,556	(693,395)	1,342,952
<u>0</u>	<u>0</u>	<u>0</u>
403,556	(693,395)	1,342,952
9,249,091	9,249,091	860,717
<u>9,652,647</u>	<u>8,555,696</u>	<u>2,203,669</u>

CITY OF LAKE MILLS
Notes to Other Information – Budgetary Reporting
June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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 \$140,361 and budgeted disbursements by \$1,237,312. 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, 2013

	<u>Special Revenue</u>			
	<u>Employee</u>	<u>Revolving</u>	<u>Permanent</u>	<u>Total</u>
	<u>Benefits</u>	<u>Loan Fund</u>		
Receipts:				
Property tax	\$ 187,827	0	0	187,827
Use of money and property	0	464	40	504
Intergovernmental	0	0	23,240	23,240
Miscellaneous	0	12,018	14,920	26,938
Total Receipts	<u>187,827</u>	<u>12,482</u>	<u>38,200</u>	<u>238,509</u>
Disbursements:				
Operating:				
Public works	0	0	12,509	12,509
Community and economic development	0	50,020	585	50,605
Total Disbursements	<u>0</u>	<u>50,020</u>	<u>13,094</u>	<u>63,114</u>
Excess (Deficit) of Receipts over (under) Disbursements	187,827	(37,538)	25,106	175,395
Operating transfers in (out)	<u>(177,344)</u>	<u>0</u>	<u>0</u>	<u>(177,344)</u>
Net Change in Cash Balances	10,483	(37,538)	25,106	(1,949)
Cash Balances at Beginning of Year	8,338	112,025	11,964	132,327
Cash Balances at End of Year	<u>\$ 18,821</u>	<u>74,487</u>	<u>37,070</u>	<u>130,378</u>
Cash Basis Cash Balances:				
Nonspendable - Permanent Fund	\$ 0	0	37,070	37,070
Restricted for other purposes	18,821	74,487	0	93,308
	<u>\$ 18,821</u>	<u>74,487</u>	<u>37,070</u>	<u>130,378</u>

CITY OF LAKE MILLS
 Schedule of Long-Term Debt and Interest
 June 30, 2013

	<u>Date of Issue</u>	<u>Interest Rates</u>
General Obligation Bonds:		
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, 2013

Amount Originally Issued	Balance June 30, 2012	Issued	Redeemed	Balance June 30, 2013	Interest Paid
\$ 100,000	\$ 50,000	0	10,000	40,000	\$ 0
900,000	600,000	0	100,000	500,000	15,750
840,000	840,000	0	280,000	560,000	6,031
	<u>1,490,000</u>	<u>0</u>	<u>390,000</u>	<u>1,100,000</u>	<u>21,781</u>
540,000	<u>444,000</u>	<u>0</u>	<u>26,000</u>	<u>418,000</u>	<u>13,320</u>
	<u><u>\$ 1,934,000</u></u>	<u><u>0</u></u>	<u><u>416,000</u></u>	<u><u>1,518,000</u></u>	<u><u>\$ 35,101</u></u>

CITY OF LAKE MILLS

Bond Maturities

June 30, 2013

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>General Obligation Bonds</u>					
	<u>Iowa Department of</u> <u>Public Safety</u> <u>Issued 10-4-07</u>		<u>G.O. Urban Renewal</u> <u>Storm Water</u> <u>Issued 5/18/09</u>		<u>G.O. Refinancing</u> <u>Issued 5/23/12</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>
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>\$ 40,000</u>		<u>500,000</u>		<u>560,000</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>
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>\$ 418,000</u>

CITY OF LAKE MILLS
Bond Maturities
June 30, 2013

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 556,295	508,187	492,105	483,680
TIF revenues	867,913	1,033,506	1,040,827	996,417
Other city taxes	194,893	184,210	172,008	151,950
Licenses and permits	4,968	3,953	3,622	3,806
Use of money and property	129,245	70,908	57,943	41,426
Intergovernmental	283,734	365,666	258,010	269,734
Charges for services	257,476	243,286	240,793	232,567
Special assessments	32,161	39,088	81,370	44,082
Miscellaneous	99,382	116,720	99,152	72,315
 Total Receipts	 <u><u>\$ 2,426,067</u></u>	 <u><u>2,565,524</u></u>	 <u><u>2,445,830</u></u>	 <u><u>2,295,977</u></u>
Disbursements:				
Public safety	\$ 573,078	515,919	552,123	532,505
Public works	362,678	370,515	383,195	360,746
Culture and recreation	367,390	358,442	360,562	348,472
Community and economic development	115,660	545,232	199,484	123,659
General government	80,753	91,179	80,704	77,306
Debt service	412,781	1,261,554	576,962	581,738
Capital projects	736,320	109,570	199,781	0
 Total Disbursements	 <u><u>\$ 2,648,660</u></u>	 <u><u>3,252,411</u></u>	 <u><u>2,352,811</u></u>	 <u><u>2,024,426</u></u>

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
470,325	444,956	482,027	556,235	544,505	565,217
875,568	839,293	752,995	663,129	553,230	458,163
187,675	147,735	154,214	140,268	132,969	137,841
3,163	4,888	5,350	4,596	3,769	3,480
70,813	131,774	133,847	122,356	52,117	30,279
278,738	382,721	299,242	645,188	397,101	226,039
243,213	238,976	239,900	232,693	205,340	206,891
54,971	43,074	141,176	18,156	38,204	16,938
145,596	147,537	141,636	141,388	158,392	153,762
<u>2,330,062</u>	<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>
606,646	537,552	435,163	424,389	448,647	374,684
423,272	490,300	380,796	339,875	339,900	286,947
388,546	375,441	300,204	318,738	271,641	282,080
91,216	316,102	209,294	449,145	267,539	263,195
80,646	95,505	79,751	84,434	81,583	94,410
456,983	442,778	525,228	1,357,768	428,635	420,567
329,571	62,948	140,155	1,715,417	677,317	183,902
<u>2,376,880</u>	<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>

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, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued my report thereon dated November 11, 2013. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Lake Mills' internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the City of Lake Mills' internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control 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, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. 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

The City of Lake Mills' responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Lake Mills' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S/ Stanley E. Siebke

Urbandale, Iowa
November 11, 2013

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2013

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, 2013

Part II: Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant Deficiency

13-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, 2013

Part III: Other Findings Related to Statutory Reporting

13-III-A Certified Budget

The City properly approved a certified budget for the year ended June 30, 2013 and subsequently amended that budget. The budgeted amounts were not exceeded during the year.

13-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.

13-III-C Travel Expense

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

13-III-D Business Transactions

During the year ended June 30, 2013, there were no transactions between the City and City officials.

13-III-E Bond Coverage

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

13-III-F Council Minutes

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

13-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.

13-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.

13-III-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.

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2013

13-III-J Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of \$10,967 at June 30, 2013. This deficit is to be eliminated through future special assessments and transfers. The City should carefully monitor this fund to be certain the deficit is eliminated.

Response: We will monitor the deficit to be certain it is eliminated.

Conclusion: Response accepted.