

CITY OF LAKE VIEW

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2013

Feldman & Company CPAs, P.C.

523 North Main Street
Carroll, Iowa 51401

City of Lake View

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City of Lake View

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Westergaard	Mayor	December 31, 2015
Jerry Huss	Council Member	December 31, 2015
Tim Laney	Council Member	December 31, 2013
Ben Schroeder	Council Member	December 31, 2013
Ken Steinkamp	Council Member	December 31, 2013
Lynn "Gus" Cleveland	Council Member	December 31, 2015
Scott Peterson	City Clerk/Administrator/Treasurer	December 31, 2013 (1)
Kay Cates	Assistant City Clerk	December 31, 2013 (1)
Lon Buse	Public Works Director	December 31, 2013 (1)
Bill Leners	Electric Superintendent	December 31, 2013 (1)
Ted Helmich	Police Chief	December 31, 2013 (1)
Erin McCullough	City Attorney	December 31, 2013

(1) Not Elected - No specific term - Employment Agreement expires on the date shown.

City of Lake View

Feldmann & Company CPAs, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lake View, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lake View at June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance 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 comprehensive basis of accounting other than U.S. generally, accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake View's financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2013, (which is presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 6, 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 are 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 financial statements. Such information has been subjected to the auditing procedures applied in our 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 statement or to the financial statements themselves, and other additional procedures in accordance with US general accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 9 through 17 and pages 38 through 40 are presented for additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2013, on our consideration of the City of Lake View's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 View's internal control over financial reporting and compliance.

Feldmann, & Company CPAs, P.C.

Feldmann & Company CPAs, P.C.

October 31, 2013

Management's Discussion and Analysis

MANAGEMENTS DISCUSSION AND ANALYSIS

The City of Lake View provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 1.5%, or approximately \$8,300, from fiscal 2012 to fiscal 2013. Property tax increased approximately \$60,000.

Disbursements of the City's governmental activities increased 1.0%, or approximately \$13,950, in fiscal 2013 from fiscal 2012.

Debt service decreased around \$21,000 as general obligation debt is paid off

Capital projects disbursements decreased from \$450,000 to \$164,000 while Public Works expenses increase from 83,000 to 363,000 due to a large street project.

The City's total cash basis net assets increased 19%, or approximately \$239,000, from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased approximately \$156,000 and the assets of the business type activities increased approximately \$82,700. Ending balances are classified as follows:

		Special	TIF Spec	Debt	Capital		
	General	Revenues	Revenues	Service	Projects	Proprietary	Total
Governmental:							
Non-spendable							
Restricted		105,398	12,609	7,659		11,267	
Committed		6,065			685,426	39,888	
Assigned						194,583	
Unassigned	163,963						
Total Governmental	163,963	111,463	12,609	7,659	685,426	245,738	1,226,858

USING THIS ANNUAL REPORT

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

This 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, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system, the electric system and garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

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

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

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 a year ago, increasing from \$824,000 to \$981,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

(Expressed in Thousands)

	Year Ending June 30	
	2013	2012
Receipts		
Program Receipts		
Charges for service	\$ 208	\$ 250
Operating grants, contributions and restricted interest	17	7
Long-term Debt	0	195
Capital grants, contributions and restricted interest	147	96
General Receipts		
Property tax	463	402
Local option sales tax	106	95
Grants and contributions not restricted to specific purposes	0	0
Unrestricted interest on investments	2	2
Other general receipts	381	300
Total receipts	1,324	1,347
Disbursements		
Public safety	275	263
Public works	363	84
Health and social services	0	0
Culture and recreation	200	220
Community and economic development	7	4
General Government	90	85
Debt service	140	162
Capital projects	164	452
Total Disbursements	1,239	1,270
Change in cash basis net assets before transfers	85	77
Transfers, net	20	50
Cash basis new assets beginning of year	105	127
Cash basis new assets beginning of year	876	698
Cash Basis net assets end of year	<u>\$ 981</u>	<u>\$825</u>

The City's total receipts for governmental activities decreased approximately \$23,000. The total cost of all programs and services decreased approximately 2%, with no new programs added this year.

The City property tax rates for 2013 remained the same as 2012, with a total tax levy of \$9.54 / \$1,000 of taxable valuation. Based on increases in the total assessed valuation, property tax receipts increased by an additional \$60,000 from FY 12 to FY 13.

The cost of all governmental activities this year was \$1.239 million compared to \$1.27 million last year. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2013 from approximately \$1.347 million to approximately \$1.324 million.

Changes in Cash Basis Net Assets of Business Type Activities

(Expressed in Thousands)

		Year Ending June 30	
		2013	2012
Receipts			
Program Receipts			
	Water	\$ 265	\$ 250
	Sewer	212	204
	Electric	1,978	2,011
	Grants – Electric	1,060	0
	Garbage	114	112
	Long Term Debt	450	0
	Transfers In	178	159
		4,257	2,736
Disbursements			
	Water	219	192
	Sewer	104	111
	Electric	3,381	1,943
	Garbage	106	110
	Debt Service	114	115
	Transfers Out	198	209
		4,122	2,680
Total Disbursements		4,122	2,680
Change in Cash Basis Net Assets		135	56
Cash basis new assets beginning of year		111	107
Cash basis new assets end of year		\$ 246	\$ 163

Total business type activities receipts for the fiscal year were \$4.257 million compared to \$2.736 million last year. This increase was due primarily to reimbursement of FEMA funds for the electric disaster project. Total disbursements for the fiscal year increased by 35% to a total of \$4.12 million. This is due largely to the rebuild of around 40 miles of overhead electric lines.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lake View completed the year, its governmental funds reported a combined fund balance of \$981,000, an increase of \$156,000 from last year's total of \$825,000. 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 around \$ 86,000 from the prior year to \$ 163,963. This increase is due largely to revenues derived from increased taxable value and reduced expenses in the Parks Department.

The Special Revenue cash balance decreased \$38,000 to \$ 111,463 during the fiscal year. This decrease is attributable to payment of internal debt from the streetscape project.

The Debt Service Fund cash balance increased by \$2,000 to \$7,659. Property tax rates to service the debt from one street bond remained the same from 2012 to 2013.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased around \$11,000 to a year-end balance of \$15,800. During this year, the City began a water meter replacement program to install radio-read meters and we changed the meters of several large commercial customers. Now accurately metering the water used, consumption has increased for the customers with new meters. In total, the quantity of water sold increased 9.4% from 2012 to 2013. Also, the rate increased 2.0% effective January 1, 2013. This increase will increase annual revenues by an estimated \$5,000.

The Sewer Fund cash balance increased around \$5,000 to a year-end balance of \$28,400. Sewer revenues are based on the amount of water metered. As such, with water sales increased 9.4%, sewer revenues increased accordingly. Also, the rate increased 2.0% effective January 1, 2013. This increase will increase annual revenues by an estimated \$4,200.

FY 2013 was a unique year as we constructed the largest capital improvement project in the history of the electric utility. 40 miles of overhead electric lines were rebuilt with a total project cost of \$1.8 million. This was needed in response to a 2010 Ice Storm. This project was funded 75% by FEMA, 10% by the State of Iowa, and 15% by the City of Lake View.

The cost of wholesale electric power continues to rise. Lake View's cost for wholesale power increased around \$90,000 from FY 12 to 13. The City has instituted annual rate increase since 2011. In January 2013, rates were increased by 2%. These annual rate increases have allowed the Electric Fund to replenish its cash balance and an emergency fund.

The Garbage Fund cash balance increased by approximately 49% from \$7,800 to \$15,386 as a large expense to purchase garbage bags was not necessary during FY 2013. The bags will be purchased during FY 14.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment was to add \$1,718 to the Library's budget. This amendment was approved on July 2, 2012.

The second amendment was approved on May 20, 2013. In total, this amendment showed reduced revenues of \$430,000 and reduced expenses of \$240,000. This amendment showed increased revenues from Hotel/Motel tax, the RISE grant for the Sac Beach Addition, and reimbursement for health insurance. There were also

increased revenue from water & sewer sales but decreased revenues from camping and electric sales. The amendment also accounted for reduced FEMA funds due to project timing and issuing less debt than budgeted.

The amendment accounted for increased expenses from the street project, purchase of radio-read meters, refund of an electric construction deposit, water system expense and sewer cleaning but also accounted for decreased expenses for the FEMA electric project due to project timing.

The City's receipts were \$1,863,716 more than budgeted. This was primarily due to the receipt of FEMA funds, receipt of grant funds for Black Hawk Trail, MISO reimbursements, electric rate increase, and Library fundraising.

Total disbursements were about \$19,000 less than the amended budget. The actual disbursements for the public safety, culture and recreation, community & economic development, debt service, and capital projects functions were \$6,051, \$36,276, \$12,056, \$1,600 and \$303,482, respectively, less than the amended budget.

The City exceeded the amounts budgeted for the year ended June 30, 2013 in the following functions: Public Works exceeded the budgeted amount by \$286,993 (due to a classification issue between Public Works and Capital Projects); General Government exceeded the budgeted amount by \$482, and business enterprises exceeded the budgeted amount by \$29,642.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$1,932,000 in bonds and other long-term debt outstanding, compared to \$1,685,000 last year, as shown below.

Outstanding Debt at Year-end

	Original Issue	Issue Date	Maturity Date	Amount Outstanding 6/30/2012	Amount Outstanding 6/30/2013
Fire Truck G.O.	130,000	April, 2010	June, 2018	101,000	86,000
Boulders TIF G.O.	250,000	April, 2010	June, 2020	229,000	209,000
Sac Beach G.O.	195,000	May, 2012	June, 2023	195,000	185,000
Streetscape G.O.	400,000	June, 2009	June, 2016	305,000	235,000
Electric Revenue	450,000	Dec, 2012	June, 2023	0	450,000
Sewer SRF	1,138,000	2000	June, 2020	570,000	509,000
Water SRF	529,000	2001	June, 2021	285,000	258,000
TOTAL	3,092,000			1,685,000	1,932,000

All debt issuances continue to be repaid as per their debt schedules.

Two new debt issuances occurred in 2012-13. \$195,000 in General Obligation debt was issued to finance infrastructure installation in the Sac Beach Addition. This debt will be repaid using Special Assessments and Tax Increment Funds. \$450,000 in Electric Revenue debt was issued to finance the City's portion of the FEMA electric line rebuild project.

INTERNAL DEBTS

Lake View has two internal debt issuances:

2009 Streetscape Project: \$400,000 in Electric funds were used for construction of the Streetscape Project. These funds are repaid using Tax Increment Funds. As of 6-30-13, \$ 81,370 remains outstanding.

Boulders Incentive: \$50,000 was used for an economic development incentive payment to Boulders Inn & Suites, \$25,000 came from the General Fund and \$25,000 came from Local Option Sales Tax. Funds are repaid using Tax Increment Funds. As of 6-30-12, 10,000 was outstanding. This internal debt was retired during FY 13.

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 taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$715,000 is significantly below its constitutional debt limit of \$5.05 million.

NEXT YEAR'S BUDGET AND RATES

Amounts available for appropriation in the FY 2014 operating budget are \$4.24 million, a decrease of 27% over the re-estimated 2013 budget. Property tax rates will be held at the same total levy as in the past several years. The City Council is finalizing an ordinance to increase utility rates effective on the March, 2014 bills. Water & sewer rates are anticipated to increase 5%, electric rates 2% and the garbage base fee by \$1.25.

Budgeted disbursements are expected to decrease by around 30%, or approximately \$1.57 million as the amount of capital projects will be less. If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$174,000 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 Scott Peterson, City Clerk, 305 Main Street, Lake View, Iowa 51450.

City of Lake View
Financial Statements

City of Lake View

**City of Lake View
Statement of Activities and
Net Assets- Cash Basis
Year ended June 30, 2013**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants Contributions and Restricted Interest
Governmental Activities			
Public Safety Program	\$ 275,248.55	\$ 51,011.57	\$ 22,347.91
Public Works Program	86,799.42	-	-
Health and Social Services Program	-	-	4,000.00
Culture and Recreation Program	199,732.98	163,189.43	37,926.37
Community & Economic Development Program	6,643.68	-	-
General Government	89,832.22	7,272.06	-
Debt Service	140,594.80	-	-
Capital Projects	448,162.00	-	-
Total governmental activities	<u>\$ 1,247,013.65</u>	<u>\$ 221,473.06</u>	<u>\$ 64,274.28</u>
Business Type Activities			
Water	254,984.46	256,222.50	-
Sewer	182,915.92	210,984.49	-
Electric	3,367,645.98	1,930,194.17	-
Garbage	106,225.38	86,512.14	-
Customer Deposits	13,455.88	-	-
Total business type activities	<u>3,925,227.62</u>	<u>2,483,913.30</u>	<u>-</u>
Total	<u><u>\$ 5,172,241.27</u></u>	<u><u>\$ 2,705,386.36</u></u>	<u><u>\$ 64,274.28</u></u>
General Receipts:			
Property Taxes levied for:			
General purpose			
Debt Service			
Local Option Sales Tax			
Hotel-Motel Tax			
Franchise taxes and fees			
Unrestricted investment earnings			
Bond proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Changes in Cash Balance			
Cash Balance beginning of year			
Cash Balance end of year			
Cash Basis Net Assets			
Expendable			
Streets and capital projects			
Urban Renewal purposes			
Debt Service			
Other Purposes			
Unrestricted			
Total Cash Basis Net Assets			

Exhibit A

Capital Grants Contributions and Restricted Interest	Net (Disbursements) Receipts		
	Governmental Activities	Business Type Activities	Total
\$ -	\$ (201,889.07)	\$ -	\$ (201,889.07)
264,212.18	177,412.76	-	177,412.76
-	4,000.00	-	4,000.00
-	1,382.82	-	1,382.82
-	(6,643.68)	-	(6,643.68)
-	(82,560.16)	-	(82,560.16)
-	(140,594.80)	-	(140,594.80)
-	(448,162.00)	-	(448,162.00)
<u>\$ 264,212.18</u>	<u>\$ (697,054.13)</u>	<u>\$ -</u>	<u>\$ (697,054.13)</u>
-	-	1,238.04	1,238.04
-	-	28,068.57	28,068.57
1,059,811.49	-	(377,640.32)	(377,640.32)
-	-	(19,713.24)	(19,713.24)
-	-	(13,455.88)	(13,455.88)
<u>1,059,811.49</u>	<u>-</u>	<u>(381,502.83)</u>	<u>(381,502.83)</u>
<u>\$ 1,324,023.67</u>	<u>(697,054.13)</u>	<u>(381,502.83)</u>	<u>(1,078,556.96)</u>
	480,894.26	-	480,894.26
	82,663.11	-	82,663.11
	105,630.44	-	105,630.44
	35,538.72	-	35,538.72
	3,004.39	-	3,004.39
	1,905.86	202.84	2,108.70
	-	450,000.00	450,000.00
	71,836.27	86,009.19	157,845.46
	20,000.00	(20,000.00)	-
	<u>801,473.05</u>	<u>516,212.03</u>	<u>1,317,685.08</u>
	104,418.92	134,709.20	239,128.12
	876,702.15	111,029.30	987,731.45
	<u>\$ 981,121.07</u>	<u>\$ 245,738.50</u>	<u>\$ 1,226,859.57</u>
	\$ 514.46	\$ -	\$ 514.46
	12,609.46	-	12,609.46
	7,659.03	39,888.26	47,547.29
	104,884.12	-	104,884.12
	855,454.00	\$ 205,850.24	1,061,304.24
	<u>\$ 981,121.07</u>	<u>\$ 245,738.50</u>	<u>\$ 1,226,859.57</u>

City of Lake View
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
Year ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>
Receipts:		
Property tax	\$ 380,948.19	\$ 82,663.11
Other Taxes	3,004.39	-
Use of money and property	11,267.84	-
Licenses and permits	9,645.58	-
Intergovernmental	39,786.01	-
Charges for service	200,865.42	-
Miscellaneous	48,005.31	-
Total receipts	<u>693,522.74</u>	<u>82,663.11</u>
Disbursements:		
Public Safety	275,248.55	-
Public Works	-	-
Culture and Recreation	196,155.38	-
Community & Economic Development	1,327.00	-
General Government	89,832.22	-
Debt Service	-	140,594.80
Capital Projects	-	-
Total disbursements	<u>562,563.15</u>	<u>140,594.80</u>
Excess (deficiency) of receipts over (under) disbursements	<u>130,959.59</u>	<u>(57,931.69)</u>
Other financing sources (uses):		
Operating transfers in	10,000.00	59,919.80
Operating transfers(out)	(54,777.00)	-
Total other financing sources (uses)	<u>(44,777.00)</u>	<u>59,919.80</u>
Excess (deficiency)of receipts and other financing sources over disbursements and other financing uses	86,182.59	1,988.11
Cash balance beginning of year	<u>77,780.82</u>	<u>5,670.92</u>
Cash balance end of year	<u>\$ 163,963.41</u>	<u>\$ 7,659.03</u>
Cash Basis Net Assets		
Restricted for:		
Debt Service	\$ -	\$ 7,659.03
Streets	-	-
Urban Renewal purposes	-	-
Other Purposes	-	-
Committed:		
Trust and Agency	-	-
Other purposes	-	-
Assigned:		
Other purposes	-	-
Unassigned:		
General Fund	163,963.41	-
Total Cash BasisFund Balances	<u>\$ 163,963.41</u>	<u>\$ 7,659.03</u>

Exhibit B

Capital Projects	Other Nonmajor Governmental Funds	Total
\$ -	\$ 99,946.07	\$ 563,557.37
-	141,169.16	144,173.55
1,600.08	-	12,867.92
-	-	9,645.58
163,453.34	121,258.84	324,498.19
-	-	200,865.42
23,830.96	3,988.27	75,824.54
<u>188,884.38</u>	<u>366,362.34</u>	<u>1,331,432.57</u>
-	-	275,248.55
-	86,799.42	86,799.42
-	3,577.60	199,732.98
-	5,316.68	6,643.68
-	-	89,832.22
-	-	140,594.80
386,001.74	62,160.26	448,162.00
<u>386,001.74</u>	<u>157,853.96</u>	<u>1,247,013.65</u>
<u>(197,117.36)</u>	<u>208,508.38</u>	<u>84,418.92</u>
173,242.00	10,000.00	253,161.80
-	(178,384.80)	(233,161.80)
<u>173,242.00</u>	<u>(168,384.80)</u>	<u>20,000.00</u>
(23,875.36)	40,123.58	104,418.92
709,301.29	83,949.12	876,702.15
<u>\$ 685,425.93</u>	<u>\$ 124,072.70</u>	<u>\$ 981,121.07</u>
\$ -	\$ -	\$ 7,659.03
-	514.46	514.46
-	12,609.46	12,609.46
-	104,884.12	104,884.12
-	6,064.66	6,064.66
685,425.93		685,425.93
-	-	-
-	-	163,963.41
<u>\$ 685,425.93</u>	<u>\$ 124,072.70</u>	<u>\$ 981,121.07</u>

City of Lake View
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
Year ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>
Receipts:		
Charges for service	\$ 256,222.50	\$ 210,984.49
Use of money and property	-	-
Intergovernmental	-	-
Miscellaneous	9,211.27	1,100.00
Total Receipts	<u>265,433.77</u>	<u>212,084.49</u>
Disbursements:		
Business-type activities:		
Operations	199,247.66	104,530.92
Debt Service	-	-
Capital Outlay	20,044.30	-
Total Disbursements	<u>219,291.96</u>	<u>104,530.92</u>
Excess (deficiency) of receipts over (under) disbursements	<u>46,141.81</u>	<u>107,553.57</u>
Other financing sources (uses):		
Bond/note proceeds		
Operating transfers in	-	-
Operating transfers (out)	(46,000.00)	(88,000.00)
Total other financing sources (uses)	<u>(46,000.00)</u>	<u>(88,000.00)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	141.81	19,553.57
Cash balance beginning of year	<u>15,865.74</u>	<u>28,412.49</u>
Cash balance end of year	<u>\$ 16,007.55</u>	<u>\$ 47,966.06</u>
Cash Basis Fund Balance		
Reserved for debt service	\$ -	\$ -
Unreserved	<u>16,007.55</u>	<u>47,966.06</u>
Total Cash Basis Fund Balances	<u>\$ 16,007.55</u>	<u>\$ 47,966.06</u>

Exhibit C

Enterprise Funds		
Electric	Other Non- major Proprietary	Total
\$ 1,930,194.17	\$ 86,512.14	\$ 2,483,913.30
-	202.84	202.84
1,059,811.49		1,059,811.49
31,252.21	44,445.71	86,009.19
3,021,257.87	131,160.69	3,629,936.82
1,804,725.33	119,681.26	2,228,185.17
-	118,577.50	118,577.50
1,558,420.65	-	1,578,464.95
3,363,145.98	238,258.76	3,925,227.62
(341,888.11)	(107,098.07)	(295,290.80)
450,000.00		450,000.00
60,000.00	118,500.00	178,500.00
(64,500.00)	-	(198,500.00)
445,500.00	118,500.00	430,000.00
103,611.89	11,401.93	134,709.20
11,611.25	55,139.82	111,029.30
\$ 115,223.14	\$ 66,541.75	\$ 245,738.50
\$ -	\$ 39,888.26	\$ 39,888.26
115,223.14	26,653.49	205,850.24
\$ 115,223.14	\$ 66,541.75	\$ 245,738.50

City of Lake View

City of Lake View

Notes to Financial Statements

June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The City of Lake View is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Lake View has included all funds, organizations, 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 has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Sac County Assessor's Conference Board, Sac County Solid Waste Agency, and Sac County E911 Board.

B. Basis of Presentation

Government-Wide and Fund 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 normally 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 support.

The Cash Basis Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent 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 have constraints on cash balances imposed by management, which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts that are 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 through other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general obligation, special assessment and tax increment financing long-term debt.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

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

The Electric fund accounts for the operation and maintenance of City's electric transmission distribution system.

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

C. Measurement Focus and Basis of Accounting

The City of Lake View maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balance 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 Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the general government and public works functions.

Note 2 - Cash and Pooled 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.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2013.

Note 3 - Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Bond/Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 126,000	\$ 22,250	\$ 132,000	\$ 22,423	\$ 258,000	\$ 44,673
2015	131,000	18,065	136,000	20,613	267,000	38,678
2016	135,000	13,709	144,000	17,533	279,000	31,242
2017	61,000	9,205	149,000	14,900	210,000	24,105
2018	60,000	7,370	154,000	12,180	214,000	19,550
2019	42,000	5,570	158,000	9,373	200,000	14,943
2020	60,000	4,402	162,000	6,495	222,000	10,897
2021	60,000	2,600	82,000	3,548	142,000	3,948
2022	20,000	800	50,000	2,000	70,000	
2021	20,000	400	50,000	1,000	70,000	
	<u>\$ 715,000</u>	<u>\$ 84,371</u>	<u>\$ 1,217,000</u>	<u>\$ 110,065</u>	<u>\$ 1,862,000</u>	<u>\$ 188,036</u>

General Obligation Bonds

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service fund.

A resolution providing for the issuance of the general obligation bonds includes the following provision.

The funds to pay principal and interest will be provided from the levied direct annual tax. If tax proceeds are insufficient to pay, the same shall be promptly paid from current funds of the City.

The City issued \$400,000.00 in general obligation bonds, Series 2009, in June 2009 to defray the costs of streetscape improvements including water, storm sewers, streets, sidewalks, and street lighting. The interest rate for this issuance is 3.90%. Principal will be paid annually through June 1, 2016. Interest is paid semiannually and began December 1, 2009.

The City issued \$250,000 in General Obligation Bonds, Series 2010, in April, 2010 to defray the costs of installing water, sanitary sewer, storms sewers, and streets to Sac Beach Addition and the site of the Boulders Hotel. The interest rate for this issuance is 3.5%, paid semiannually and began December 1, 2010. Principal will be paid annually through June 1, 2020.

The City issued \$130,000 in General Obligation Bonds, Series 2010, in April, 2010, to defray the costs of purchasing a new fire truck. The interest rate for this issuance is 3.5%, semiannually payments began on December 1, 2010. Principal will be paid annually through June 1, 2018.

The City issued \$195,000 in General Obligation Corporate Purpose Notes, in May, 2012, to defray the costs of constructing street, water, and sewer improvements. The interest rate for this issuance is 2.0%, annual payments of principal and interest begin on June 1, 2013. Payments will be paid annually through June 1, 2023.

Revenue Notes

On September 30, 1999, the City issued \$1,138,000.00 of Sewer Revenue Bond, Series 1999. The Bonds were authorized to finance all or part of the construction of certain wastewater treatment facilities serving the City and its residents. The financing was issued by the Iowa Finance Authority via the Iowa Sewage Treatment Works Financing Program established in Iowa Code section 455B.291-299. The interest rate is 4.23%. Interest payments are made semiannually and began December 1, 1999. Annual principal payments began June 1, 2001. Effective with the December 1, 2009, interest payment, the interest rate on this Sewer Revenue Bond, Series 1999, was reduced from 4.23% to 3%. The City Council approved the interest rate reduction on October 5, 2009.

On August 7, 2001, the City issued \$590,000.00 of Water Revenue Bonds. The Bonds were authorized to finance all or part of the improvements for the water treatment facility serving the City and its residents. The financing was issued by the Iowa Finance Authority via the Iowa Drinking Water Revolving Loan Fund established in Iowa Code section 455B.291-299. As of June 30, 2003, the construction was complete, \$529,000.00 of the loan funds had been disbursed, and the total amount of the bonds issued was \$529,000.00. The interest rate of 3.84% was reduced to 3%. Interest payments are made semiannually and began December 1, 2001. Annual principal payments began June 1, 2002 and the bonds mature on June 1, 2021.

On December 3, 2012, the City issued \$450,000.00 of Electric Revenue Bonds. The Bonds were authorized to finance the City's part of the aerial and underground electric federal and state projects to repair damage from the 2010 severe winter storm. This financing was issued by the Iowa State Bank and Farmers State Bank. The interest rate is 2.0%. Interest payments are made semiannually June 1 and December 1, commencing June 1, 2013. Annual principal payments begin June 1, 2014 and the bonds mature on June 1, 2023.

Note 4 - Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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, PO 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 covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013, was \$46,580.03 and was equal to the required contributions for that year.

Note 5 - Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time termination benefits payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Liability June 30, 2013</u>
Vacation	\$ 24,907.44
Compensatory time	2,036.80
	<u>\$ 26,944.24</u>

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

Note 6 – Other Post Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their dependents. There are 13 active and two retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. Retirees pay all premium costs.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The City pays 100% of the premium for a single policy and 75% of the additional costs for dependents. The most recent active member monthly premiums for the City and plan members pay \$0 for single coverage, \$79 for an employee/spouse policy, \$67 for an employee/children policy, and \$156 for family coverage. For the year ended June 30, 2013, the City contributed \$99,139 and plan members eligible for benefits contributed \$24,618 to the plan.

Note 7 – Intergovernmental Agreement

The City participates in an agreement with the Sac County Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member county and municipalities. Payments to the Agency totaled \$28,608.78 during the year ended June 30, 2013.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The members of the Agency have entered into an agreement to provide financial assurance in the proportion relative to each member's share of the Agency's budget in the event of closure, post closure, and corrective action. The costs to the Agency for compliance with these requirements has not been determined, nor has the effect on future assessments to the City.

Note 8 – Interfund Transfers

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

Transfer to	Transfer from	Amount
General		
	TIF to General Fund	\$ 10,000.00
Local Option Sales Tax		
	TIF	10,000.00
Debt Service:		
	TIF	14,069.80
	TIF	27,315.00
- Fire Truck	General Fund - Fire Dept	18,535.00
		59,919.80
Capital Projects		
- Planning Funds	General Fund - Police Dept	13,500.00
	General Fund - Fire Dept	10,254.00
	General Fund - Park Dept	4,600.00
	General - Historical Preservation	1,288.00
	General - Water Tower	6,600.00
	LOST	16,000.00
	Electric	30,000.00
	Sewer	10,000.00
	Water	10,000.00
- Street Construction	RUT to Streets	41,000.00
		143,242.00
Sinking Fund		
	Water	36,000.00
	Electric	4,500.00
	TIF Electric	60,000.00
	Sewer	78,000.00
		178,500.00
Electric Reserve	Cap Project	30,000.00
Total		\$ 431,661.80

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

Note 9 – Service Agreement

In April, 2009, the City entered into an agreement with Rudd Sanitation Service to provide for the collection and removal of garbage, rubbish, yard wastes, and recyclable materials from within the corporate limits of the City of Lake View. For the year ended June 30, 2013, the City paid Rudd Sanitation Service \$77,616.60 for services under this agreement.

Note 10– Risk Management

Iowa Communities Assurance Pool

The City of Lake View is a member in the Iowa Communities Assurance Pool, as allowed

by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 679 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013, were \$51,854.64.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may

withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 11 – Construction Contracts and Commitments

The City has entered into the following commitment as of June 30, 2013.

<u>Project</u>	<u>Estimated Total Contract Costs</u>	<u>Paid to June 30, 2013</u>	<u>Remaining Commitment</u>
<u>Electric Cable burying Schoon Construction</u>	<u>\$59,450</u>	<u>\$00.00</u>	<u>\$59,450</u>

Note 12– Budget Over-expenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2013, disbursements in the General-Government and Public Works functions exceeded the amount budgeted.

Other Information

City of Lake View
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Actual and Budget (Cash Basis) - All Governmental Funds and Proprietary Funds
Year ended June 30, 2013

	Governmental Fund Type Actual	Proprietary Fund Actual	Less Funds not Required to be Budgeted and Adjustments
Receipts:			
Property tax	\$ 563,557.37	\$ -	\$ -
Other taxes	144,173.55	-	-
Licenses and permits	9,645.58	-	-
Use of money and property	12,867.92	202.84	-
Intergovernmental	324,498.19	1,059,811.49	-
Charges for service	200,865.42	2,483,913.30	-
Miscellaneous	75,824.54	86,009.19	-
Total receipts	<u>1,331,432.57</u>	<u>3,629,936.82</u>	<u>-</u>
Disbursements:			
Public Safety	275,248.55	-	-
Public Works	86,799.42	-	-
Health and Social Services	-	-	-
Culture and Recreation	199,732.98	-	-
Community & Economic Development	6,643.68	-	-
General Government	89,832.22	-	-
Debt Service	140,594.80	-	-
Capital Projects	448,162.00	-	-
Total Government Activities	<u>1,247,013.65</u>	<u>3,925,227.62</u>	<u>-</u>
Business Type Activities	-	-	-
Total disbursements	<u>1,247,013.65</u>	<u>3,925,227.62</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	84,418.92	(295,290.80)	-
Other financing sources (uses), net	20,000.00	430,000.00	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	104,418.92	134,709.20	-
Balance beginning of year	<u>876,702.15</u>	<u>111,029.30</u>	<u>-</u>
Balance end of year	<u>\$ 981,121.07</u>	<u>\$ 245,738.50</u>	<u>\$ -</u>

Net	Budgeted Amounts		Final to Actual	Net as % of Budget
	Original	Final	Variance Favorable (Unfavorable)	
\$ 563,557.37	\$ 552,300.00	\$ 552,300.00	\$ 11,257.37	102%
144,173.55	123,424.00	128,424.00	15,749.55	112%
9,645.58	12,575.00	12,575.00	(2,929.42)	77%
13,070.76	15,000.00	15,000.00	(1,929.24)	87%
1,384,309.68	252,840.00	352,840.00	1,031,469.68	392%
2,684,778.72	4,665,700.00	4,118,700.00	(1,433,921.28)	65%
161,833.73	13,400.00	25,400.00	136,433.73	637%
<u>4,961,369.39</u>	<u>5,635,239.00</u>	<u>5,205,239.00</u>	<u>(243,869.61)</u>	95%
275,248.55	279,300.00	281,300.00	6,051.45	98%
86,799.42	76,250.00	76,250.00	(10,549.42)	114%
-	-	-	-	0%
199,732.98	234,291.00	236,009.00	36,276.02	85%
6,643.68	18,700.00	18,700.00	12,056.32	36%
89,832.22	89,350.00	89,350.00	(482.22)	101%
140,594.80	142,195.00	142,195.00	1,600.20	99%
448,162.00	330,500.00	467,500.00	19,338.00	96%
<u>1,247,013.65</u>	<u>1,170,586.00</u>	<u>1,311,304.00</u>	<u>64,290.35</u>	95%
<u>3,925,227.62</u>	<u>4,274,586.00</u>	<u>3,895,586.00</u>	<u>(29,641.62)</u>	101%
<u>5,172,241.27</u>	<u>5,445,172.00</u>	<u>5,206,890.00</u>	<u>34,648.73</u>	99%
(210,871.88)	190,067.00	(1,651.00)	(209,220.88)	
<u>450,000.00</u>		<u>-</u>	<u>(450,000.00)</u>	
239,128.12			240,779.12	
<u>987,731.45</u>	<u>1,007,592.00</u>	<u>987,731.00</u>		
<u>\$ 1,226,859.57</u>	<u>\$ 1,197,659.00</u>	<u>\$ 986,080.00</u>		

City of Lake View

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendment decreased budgeted disbursements by \$238,282 and budgeted revenues and other financing by \$430,000. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements in the General- Government and Public Works functions exceeded the amount budgeted.

Supplemental Information

City of Lake View
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

	<u>Special</u>		
	<u>LOST</u>	<u>TIF</u>	<u>Road Use Tax</u>
Receipts:			
Property tax	\$ -	\$ 99,946.07	\$ -
Other taxes	105,630.44	-	-
Intergovernmental:			
State funding	-	-	121,258.84
Miscellaneous	-	-	-
Total receipts	<u>105,630.44</u>	<u>99,946.07</u>	<u>121,258.84</u>
Disbursements:			
Public Safety	-	-	-
Public Works	-	-	86,799.42
Culture and Recreation	-	-	-
Community & Economic Development:	-	-	-
General Government	-	-	-
Capital Projects	62,160.26	-	-
Total disbursements	<u>62,160.26</u>	<u>-</u>	<u>86,799.42</u>
Excess (deficiency) of receipts over (under) disbursements	43,470.18	99,946.07	34,459.42
Other financing sources (uses):			
Operating transfers in	10,000.00	-	-
Operating transfers(out)	(16,000.00)	(97,727.30)	(41,000.00)
	<u>(6,000.00)</u>	<u>(97,727.30)</u>	<u>(41,000.00)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	37,470.18	2,218.77	(6,540.58)
Cash balance beginning of year	<u>31,921.06</u>	<u>10,390.69</u>	<u>7,055.04</u>
Cash balance end of year	<u>\$ 69,391.24</u>	<u>\$ 12,609.46</u>	<u>\$ 514.46</u>

Schedule 1

Revenue		
Hotel-Motel Tax	Trust & Agency	Total
\$ -	\$ -	\$ 99,946.07
35,538.72	-	141,169.16
-	-	121,258.84
-	3,988.27	3,988.27
35,538.72	3,988.27	366,362.34
-	-	-
-	-	86,799.42
-	3,577.60	3,577.60
5,316.68	-	5,316.68
-	-	-
-	-	62,160.26
5,316.68	3,577.60	157,853.96
30,222.04	410.67	208,508.38
-	-	10,000.00
(23,657.50)	-	(178,384.80)
(23,657.50)	-	(168,384.80)
6,564.54	410.67	40,123.58
28,928.34	5,653.99	83,949.12
\$ 35,492.88	\$ 6,064.66	\$ 124,072.70

**City of Lake View
Statement of Indebtedness
Year ended June 30, 2013**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Streetscape	7/8/2009	3.90%	\$ 400,000.00
Fire Truck	4/1/2010	3.50%	130,000.00
Boulder Motel Infrastructure (TIF)	4/1/2010	3.50%	250,000.00
Sac Beach Infrastructure	5/15/2012	2.00%	195,000.00
 Revenue Notes/Bonds:			
Sewer Revenue Bond	9/30/1999	4.23% adj'd to 3%	1,138,000.00
Water Revenue Bond	8/7/2001	3.84% adj'd to 3%	529,000.00
Electric Loan	12/3/2012	2.00%	450,000.00
			<hr/>
Grand Total			<u><u>\$ 3,092,000.00</u></u>

44 See accompanying independent auditor's report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 305,000.00	\$ -	\$ 70,000.00	\$ 235,000.00	\$ 10,675.00	-
101,000.00	-	15,000.00	86,000.00	3,535.00	-
229,000.00	-	20,000.00	209,000.00	7,315.00	-
195,000.00	-	10,000.00	185,000.00	4,069.78	
570,000.00	-	61,000.00	509,000.00	17,100.00	-
285,000.00	-	27,000.00	258,000.00	8,550.00	-
-	450,000.00	-	450,000.00	4,500.00	-
\$ 1,685,000.00	\$ 450,000.00	\$203,000.00	\$1,932,000.00	\$55,744.78	\$ -

**City of Lake View
Bond and Note Maturities
June 30, 2013
General Obligation Bonds/Notes**

Streetscape			Fire Truck Note		
Issued July 8, 2009			Issued April 1, 2010		
Year Ending June 30,	Interest Rate	Amount	Interest Rate	Amount	
2014	3.50	\$ 75,000	3.50	\$ 16,000	
2015	3.50	80,000	3.50	17,000	
2016	3.50	80,000	3.50	17,000	
2017	-	-	3.50	18,000	
2018	-	-	3.50	18,000	
2019	-	-	-	-	
2020	-	-	-	-	
2021	-	-	-	-	
2022	-	-	-	-	
2023	-	-	-	-	
		<u>\$ 235,000</u>		<u>\$ 86,000</u>	
Revenue Notes					
Series 1996			Series 2000		
Sewer Improvement			Water Improvement		
Revenue Bond			Revenue Bond		
Issued Sept. 30, 1999			Issued August 2, 2001		
Year Ended June 30,	Interest Rate	Amount	Interest Rate	Amount	
2014	1.75	\$ 64,000	1.75	\$ 28,000	
2015	1.75	67,000	1.75	29,000	
2016	1.75	69,000	1.75	30,000	
2017	1.75	72,000	1.75	32,000	
2018	1.75	76,000	1.75	33,000	
2019	1.75	79,000	1.75	34,000	
2020	4.23	82,000	1.75	35,000	
2021	-	-	1.75	37,000	
2022	-	-	-	-	
2023	-	-	-	-	
2024					
2025					
		<u>\$ 509,000</u>		<u>\$ 258,000</u>	

Schedule 3

Tax Incremental Financing - Boulders Issued April 1, 2010		Sac Beach Infrastructure Issued April 1, 2010		Total General Obligation Bonds/Notes
Interest Rate	Amount	Interest Rate	Amount	
3.50	\$ 20,000	2.00	\$ 15,000	\$ 126,000
3.50	19,000	2.00	15,000	131,000
3.50	23,000	2.00	15,000	135,000
3.50	23,000	2.00	20,000	61,000
3.50	22,000	2.00	20,000	60,000
3.50	22,000	2.00	20,000	42,000
3.50	40,000	2.00	20,000	60,000
3.50	40,000	2.00	20,000	60,000
-	-	2.00	20,000	20,000
		2.00	20,000	20,000
	<u>\$ 209,000</u>		<u>\$ 185,000</u>	<u>\$ 715,000</u>

Series 2000 Electric Improvement Revenue Bond Issued December 3, 2012		Total Revenue Notes
Interest Rate	Amount	
2.00	\$ 40,000	\$ 132,000
2.00	40,000	136,000
2.00	45,000	144,000
2.00	45,000	149,000
2.00	45,000	154,000
2.00	45,000	158,000
2.00	45,000	162,000
2.00	45,000	82,000
2.00	50,000	50,000
2.00	50,000	50,000
	<u>\$ 450,000</u>	<u>\$ 1,217,000</u>

City of Lake View
Schedule of Cash Receipts, Disbursements
and Change in Cash Balances
Capital Projects Funds
Year Ended June 30, 2013

	Street Construction
Receipts:	
Use of money and property:	
Interest on investments	\$ 113.16
Intergovernmental:	
Miscellaneous grants	142,953.34
	142,953.34
Miscellaneous:	
Donations	-
Donations-Mini Golf	-
	-
Total receipts	143,066.50
Disbursements:	
Capital Projects Program:	
Capital outlay	276,443.88
Total disbursements	276,443.88
Deficiency of receipts under disbursements	(133,377.38)
Other financing sources (uses):	
Transfers In (Out):	
Planning Funds	-
General Fund	-
Electric Fund	-
	-
Excess (deficiency) of receipts and other financing sources (uses) over disbursements	(133,377.38)
Balance beginning of year	133,435.51
Balance end of year	\$ 58.13

Schedule 4

Planning Funds	Electric Improvement	Total
\$ 1,317.34	\$ 169.58	\$ 1,600.08
20,500.00	-	163,453.34
20,500.00	-	163,453.34
23,830.96	-	23,830.96
-	-	-
23,830.96	-	23,830.96
45,648.30	169.58	188,884.38
109,557.86	-	386,001.74
109,557.86	-	386,001.74
(63,909.56)	169.58	(197,117.36)
143,242.00	30,000.00	173,242.00
-	-	-
-	-	-
143,242.00	30,000.00	173,242.00
79,332.44	30,169.58	(23,875.36)
516,897.94	58,967.84	709,301.29
\$ 596,230.38	\$ 89,137.42	\$ 685,425.93

City of Lake View
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances - Nonmajor Proprietary Funds
Year Ended June 30, 2013

	<u>Garbage</u>	<u>Electric Sinking</u>
Receipts		
Use of money and property:		
Interest on investments	\$ -	\$ -
	<u>-</u>	<u>-</u>
Charges for service:		
Garbage fees	86,512.14	-
	<u>86,512.14</u>	<u>-</u>
Miscellaneous:		
Customer deposits	-	-
Merchandise sales	27,557.00	-
	<u>27,557.00</u>	<u>-</u>
Total receipts	<u>114,069.14</u>	<u>-</u>
Disbursements:		
Operations	106,225.38	-
Business Type Activities:		
Debt Service:		
Debt Service Payments	-	\$ 4,500.00
	<u>-</u>	<u>4,500.00</u>
Total disbursements	<u>106,225.38</u>	<u>4,500.00</u>
Excess of receipts over disbursements	<u>7,843.76</u>	<u>(4,500.00)</u>
Other financing sources (uses):		
Operating transfers in (out):		
Sewer	-	-
Water	-	-
Electric	-	4,500.00
	<u>-</u>	<u>4,500.00</u>
Total other financing sources (uses)	<u>-</u>	<u>4,500.00</u>
Excess of receipts (deficiency) and other financing sources (uses) over disbursements	7,843.76	-
Balance beginning of year	<u>7,543.08</u>	<u>-</u>
Balance end of year	<u>\$ 15,386.84</u>	<u>\$ -</u>

Schedule 5

Water Sinking	Sewer Sinking	Customer Meter Deposits	Total
\$ 48.49	\$ 154.35	\$ -	\$ 202.84
<u>48.49</u>	<u>154.35</u>	<u>-</u>	<u>202.84</u>
-	-	-	86,512.14
-	-	-	<u>86,512.14</u>
-	-	16,888.71	16,888.71
-	-	-	27,557.00
-	-	16,888.71	44,445.71
<u>48.49</u>	<u>154.35</u>	<u>16,888.71</u>	<u>131,160.69</u>
-	-	13,455.88	119,681.26
<u>35,692.50</u>	<u>78,385.00</u>	<u>-</u>	<u>118,577.50</u>
<u>35,692.50</u>	<u>78,385.00</u>	<u>13,455.88</u>	<u>238,258.76</u>
<u>(35,644.01)</u>	<u>(78,230.65)</u>	<u>3,432.83</u>	<u>(107,098.07)</u>
-	78,000.00	-	78,000.00
36,000.00	-	-	36,000.00
-	-	-	4,500.00
<u>36,000.00</u>	<u>78,000.00</u>	<u>-</u>	<u>118,500.00</u>
355.99	(230.65)	3,432.83	11,401.93
<u>6,295.51</u>	<u>33,467.41</u>	<u>7,833.82</u>	<u>55,139.82</u>
<u>\$ 6,651.50</u>	<u>\$ 33,236.76</u>	<u>\$ 11,266.65</u>	<u>\$ 66,541.75</u>

City of Lake View
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Grantor/Program	CFDA Number	Agency Pass-through Number Award	Program Disburse- ments
Indirect:			
U.S. Department of Homeland Security and Emergency Management			
Iowa Department of Public Defense Homeland Security and Emergency Management Division			
Disaster Relief #1880 PW-00327	97.036	161-42690-00	973,319.74
Disaster Relief #1880 PW-00324	97.036	161-42690-00	<u>110,019.13</u>
Total Federal Expenditures			<u><u>\$ 1,083,338.87</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lake View and is presented in conformity with an other comprehensive basis of accounting. The information on 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 View

Feldmann & Company CPAs, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lake View, Iowa, as of and for the year ended June 30, 2013, and the notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2013. Our 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 our audit, we considered the City of Lake View's internal control over financial reporting to determine auditing procedures appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carroll's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Carroll's internal control over financial reporting.

Our consideration of the internal control 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, significant deficiencies or material weaknesses may exist that have not have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned 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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carroll's Responses to Findings

The City of Lake View's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Lake View's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of the Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lake View during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Feldmann & Company CPAs, P.C.
October 31, 2013

Feldmann & Company CPAs, P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance and on
the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited City of Lake View, 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's major federal program for the year ended June 30, 2013. City of Lake View's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lake View 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, 2013.

Report on Internal Control Over Compliance

The management of City of Lake View is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program 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, we do not express an opinion on the effectiveness of City's internal control over compliance.

Our 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, significant deficiencies or material weaknesses may exist that were not identified.

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 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Feldmann & Company CPAs, P.C.
October 31, 2013

City of Lake View
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part I Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness 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) The audit of the financial statements did disclose a material weakness or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit 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 97.036 Disaster Relief Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Lake View did not qualify as a low-risk auditee.

Part II. Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

- II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this and review procedures in order to make changes to improve internal control as cost and benefits allow.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part III Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance :

No matters were noted.

Reportable Conditions:

- III-A-13 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record keeping for receipts, including those related to federal programs. See item II-A-13.

Part IV. Other Findings Related to Statutory Reporting:

- IV-A-13 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2013.

- IV-B-13 Certified Budget - Disbursements for the year ended June 30, 2013, exceeded the amounts budgeted for several functions in the General Government Program, and exceeded budget for Business Activities expenditures. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The City should amend the budget before disbursements exceed budgeted amounts.

Response – We will closely monitor disbursements against budgeted amounts and properly amended the budget before disbursements exceed the budget.

Conclusion – Response accepted.

- IV-C-13 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, certain disbursements did not have supporting documentation.
- IV-D-13 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-13 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Huss, Council person, Owner Huss Furniture	Furniture purchase	\$ 479.00
Lon Buse, Public Works Director, Owner, Buse Specialties	Construction per bid	\$ 71,642.25
Lon Buse, Public Works Director, Owner, Buse Specialties	Equipment rental	\$ 631.55
Barry Buss, city employee	Sale of firewood	\$ 1,130.25

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council member and city employee do not appear to represent a conflict of interest since the total transactions with each individual were less than \$1,500.00 during the fiscal year. The transactions with the Public Works Director does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa, and the rental of equipment as a separate transaction would also be in accordance with Chapter 362.5(10) as it was less than \$1500.00.

- IV-F13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- IV-H-13 Deposits and Investments - We noted no instances of noncompliance with the investment provisions of Chapter 12B & 12C of the Code of Iowa and the City's investment policy.
- IV-I-13 Revenue Bonds and Notes – We noted no instances of non-compliance with the terms of the City's revenue bond/note provisions.
- IV-J-13 Financial Condition – The balances in the Cities Funds at June 30, 2013, were not in excess of the disbursements for that fund for the year, nor were there any funds with a deficit balance.
- IV-K-13 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. We noted no corrections needed to TIF certification to comply with Chapter 403 of the Code of Iowa.
- IV-L-13 Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Department of Management on or before December 1.