

CITY OF LAKE MILLS

Lake Mills, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2014

With Independent Auditor's Reports

CITY OF LAKE MILLS
Contents

	<u>Pages</u>
City Officials	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 10
Cash Basis Statement of Activities and Net Position	11 - 12
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	13 - 14
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	15
Notes to the Financial Statements	16 - 22
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Cash Balances – Budget and Actual (Cash Basis) – All Governmental and Proprietary Funds	23 - 24
Notes to Other Information – Budgetary Reporting	25
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	26 - 27
Schedule of Long-Term Debt and Interest	28 - 29
Bond Maturities	30 - 31
Schedule of Receipts by Source and Disbursements By Function	32 - 33
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 <u>Government Auditing Standards</u>	34 - 35
Schedule of Findings	36 - 39

CITY OF LAKE MILLS

City Officials
June 30, 2014

Prior to January 1, 2014

<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

Subsequent to December 31, 2013

David E. Steffens	Mayor	January 2016
Candy Hanna	Mayor Pro-Tem	January 2018
Bill Clark	Council Member	January 2016
Nathan Ostrander	Council Member	January 2018
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, 2014, 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, 2014, 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, 2013 (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 26 through 33 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 23 through 25 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, 2014 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, 2014

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, 2014. It should be read in conjunction with the City's financial statements, which immediately follow this section.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased approximately 9%, or \$221,438, from Fiscal Year 2013 to Fiscal Year 2014. Increased Operating Grants & Contributions, Capital Grants & Contributions and Cummins Reimbursements for expenditures were major reasons for the increase in FY 2014.
- Disbursements of the City's governmental activities decreased approximately 9%, or \$240,978, from Fiscal Year 2013 to Fiscal Year 2014. The decrease was mainly due to the purchase of the Cummins Building in 2013 and a decrease in Debt Service payments in 2014.
- The City's total cash basis net assets increased 15%, or \$1,647,520, from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities increased \$192,929 and the assets of the business type activities increased by \$1,454,591.

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 increased from \$2,500,697 to \$2,693,626 for Fiscal Year 2014. The analysis that follows focuses on the changes in cash balances for governmental activities.

City of Lake Mills' Changes in Net Assets Governmental Activities

	<u>2014</u>	<u>2013</u>
Receipts & Transfers:		
Program Receipts:		
Charges for Service	\$ 492,788	325,391
Operating Grants and Contributions	349,095	307,419
Capital Grants and Contributions	64,867	44,553
General Receipts:		
Property tax levied for:		
General purposes	563,281	546,251
Tax increment financing	817,115	878,761
Debt service	10,016	10,045
Local option sales tax	197,511	194,893
Unrestricted interest on investments	93,277	85,319
Miscellaneous	59,555	33,435
Transfers	(46,894)	(117,486)
Total Receipts and Transfers	<u>2,600,611</u>	<u>2,308,581</u>
Disbursements		
Public Safety	698,910	573,078
Public Works	398,401	362,678
Culture and Recreation	399,631	367,390
Community and Economic Development	146,902	115,660
General Government	89,567	80,753
Debt Service	309,250	412,781
Capital Projects	365,021	736,320
Total Disbursements	<u>2,407,682</u>	<u>2,648,660</u>
Increase (Decrease) in Cash Balances	192,929	(340,079)
Cash Balances at beginning of year	<u>2,500,697</u>	<u>2,840,776</u>
Cash Balances at end of year	<u>\$ 2,693,626</u>	<u>2,500,697</u>

The City's total receipts & transfers for governmental activities increased approximately 13%, or \$292,030. The increase in receipts & transfers was due to: Charges for Services, Operating Grants & Contributions, Capital Grants & Contributions, and Reimbursements for Cummins Building expenditures.

The total cost of all programs and services decreased by approximately 9% or \$240,978. Debt Service was down due to lower bond payments for the 2012 GO Refunding Bonds. Capital Projects were down due to Cummins Building Purchase in 2013.

The City property tax rate decreased by 31 cents for Fiscal Year 2014. The overall taxable valuation for the City increased \$2.1 million.

The cost of all governmental activities this year was \$2.41 million compared to \$2.65 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 \$1.39 million. Other funding came from fees paid by those directly benefited from the programs (\$492,788), by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$413,962). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2014 from \$677,363 to \$906,750, principally due to Charges for Services, Grants and Cummins Building Reimbursements. The City paid for the remaining "public benefit" portion of governmental activities with \$1,390,412 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>2014</u>	<u>2013</u>
Receipts:		
Charges for service:		
Water	\$ 331,072	335,597
Sewer	577,640	325,380
Electric	3,782,669	3,631,174
Storm Water	56,808	49,328
Operating grants, contributions and restricted interest	53,200	81,237
Total Receipts	<u>4,801,389</u>	<u>4,422,716</u>
Disbursements and Transfers:		
Water	356,852	352,441
Sewer	345,673	285,338
Electric	2,653,174	2,498,707
Storm Water	37,993	414,080
Transfers	(46,894)	(117,486)
Total Disbursements and Transfers	<u>3,346,798</u>	<u>3,433,080</u>
Increase in Cash Balances	1,454,591	989,636
Cash Balances - Beginning of year	<u>8,258,668</u>	<u>7,269,032</u>
Cash Balances - End of Year	<u><u>\$ 9,713,259</u></u>	<u><u>8,258,668</u></u>

Total business type activities receipts for the Fiscal Year were \$4.8 million compared to \$4.4 million last year. This increase was due to receipt of leachate revenue and increase in water, sewer and electric rates. Total disbursements and transfers for the Fiscal Year were \$3.347 million compared to \$3.433 million last year. The main reason for this decrease was no Storm Water Projects in 2014. The cash balance increased by \$1,454,591. The major contributing factor to the increase in cash balance is the increase in water, sewer and electric rates, receipt of leachate revenue and no Storm Water projects in 2014.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lake Mills completed the year, its governmental funds reported a combined fund balance of \$2,693,626, an increase of \$192,929 from last year's total of \$2,500,697. 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 \$210,878 from the prior year to \$2,072,120. The major reason for this increase was Local Option Sales Tax receipts that were not used in this Fiscal Year.
- The Road Use Fund cash balance increased by \$6,884 to \$443,448 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 decreased by \$16,524 to \$6,930 during the Fiscal Year.

- The Debt Service Fund cash balance stayed constant at \$60,042 during the Fiscal Year.
- The Capital Projects Fund cash balance increased by \$33,971 to \$23,004. The increase is primarily due to payments received to operate the Cummins Building.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$25,002 to \$466,475, due primarily to new water meters.
- The Sewer Fund cash balance increased by \$235,704 to \$1,220,349, due primarily to receipt of leachate revenue.
- The Electric Fund cash balance increased by \$975,074 to \$7,139,893 primarily due to an increase in the electric rates, no STS additions in 2014, and increased interest from Internal Financing.
- The Storm Water Fund cash balance increased by \$268,815 to \$886,542, due primarily to Storm Water projects not being completed in 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2014 and resulted in an increase in disbursements related to the use of grants, donations and memorials that were received, unanticipated repairs, and Cummins Building Project.

DEBT ADMINISTRATION

On June 30, 2014, the City had \$1,201,000 in bonds and other long-term debt, compared to \$1,518,000 last year, as shown below.

City of Lake Mills' Outstanding Debt

	As of	
	<u>6/30/2014</u>	<u>6/30/2013</u>
General Obligation Bonds	\$ 810,000	1,100,000
Revenue Bonds	391,000	418,000
Total	<u>\$ 1,201,000</u>	<u>1,518,000</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 \$810,000 is significantly below its constitutional debt limit of \$5,177,954.

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 2015 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 4.0 percent is lower than the State's unemployment rate of 4.5 percent and is below the National rate of 6.2 percent.

Inflation in the State continues to be similar to the National Consumer Price Index which increased 1.5% during the past year.

These indicators were taken into account when adopting the budget for Fiscal Year 2015. Amounts available for appropriation in the 2015 operating budget are \$7.671 million, a decrease of 11.9% from the 2014 actual. Budgeted disbursements for 2015 increased approximately 1.3% from the 2014 actual to \$7.152 million. The main reason for the decrease in amounts available and increase in budgeted disbursements is the Cummins Building.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$519,045 by the close of 2015.

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, 2014

	<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	\$ 698,910	9,197	28,283	45,435
Public works	398,401	202,659	219,496	0
Culture and recreation	399,631	83,234	55,489	0
Community and economic development	146,902	0	45,827	0
General government	89,567	46,780	0	0
Debt service	309,250	0	0	0
Capital projects	365,021	150,918	0	19,432
Total Governmental Activities	<u>2,407,682</u>	<u>492,788</u>	<u>349,095</u>	<u>64,867</u>
Business type activities:				
Water	356,852	331,072	778	0
Sewer	345,673	577,640	3,737	0
Electric	2,653,174	3,782,669	48,685	0
Storm water	37,993	56,808	0	0
Total Business Type Activities	<u>3,393,692</u>	<u>4,748,189</u>	<u>53,200</u>	<u>0</u>
Total	<u>\$ 5,801,374</u>	<u>5,240,977</u>	<u>402,295</u>	<u>64,867</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, 2014

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>
(615,995)	0	(615,995)
23,754	0	23,754
(260,908)	0	(260,908)
(101,075)	0	(101,075)
(42,787)	0	(42,787)
(309,250)	0	(309,250)
(194,671)	0	(194,671)
(1,500,932)	0	(1,500,932)
0	(25,002)	(25,002)
0	235,704	235,704
0	1,178,180	1,178,180
0	18,815	18,815
0	1,407,697	1,407,697
(1,500,932)	1,407,697	(93,235)
563,281	0	563,281
817,115	0	817,115
10,016	0	10,016
197,511	0	197,511
93,277	0	93,277
59,555	0	59,555
(46,894)	46,894	0
1,693,861	46,894	1,740,755
192,929	1,454,591	1,647,520
2,500,697	8,258,668	10,759,365
\$ 2,693,626	9,713,259	12,406,885
\$ 41,113	0	41,113
443,448	0	443,448
6,930	0	6,930
60,042	0	60,042
0	727,691	727,691
69,973	0	69,973
2,072,120	8,985,568	11,057,688
\$ 2,693,626	9,713,259	12,406,885

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, 2014

	General	Special Revenue		Debt Service	Capital Projects
		Road Use Tax	TIF		
Receipts:					
Property tax	\$ 379,879	0	0	10,002	0
TIF revenues	0	0	806,870	0	0
Other city taxes	198,286	0	0	14	0
Licenses and permits	5,590	0	0	0	0
Use of money and property	133,363	0	1,691	0	0
Intergovernmental	113,535	209,858	0	0	0
Charges for services	275,207	0	0	0	0
Special assessments	0	0	10,245	0	19,432
Miscellaneous	111,254	0	5,441	0	151,018
Total Receipts	1,217,114	209,858	824,247	10,016	170,450
Disbursements:					
Operating:					
Public safety	628,910	0	0	0	0
Public works	212,715	161,849	0	0	0
Culture and recreation	384,831	0	0	0	0
Community and economic development	33,049	0	63,671	0	0
General government	87,700	0	0	0	0
Capital outlay:					
Public safety	70,000	0	0	0	0
Public works	0	12,250	0	0	0
Culture and recreation	14,800	0	0	0	0
Debt service	0	0	0	309,250	0
Capital projects	0	0	0	0	365,021
Total Disbursements	1,432,005	174,099	63,671	309,250	365,021
Excess (Deficit) of Receipts over (under) Disbursements	(214,891)	35,759	760,576	(299,234)	(194,571)
Other Financing Sources (Uses):					
Operating transfers in	425,769	14,676	0	299,250	233,151
Operating transfers out	0	(43,551)	(777,100)	0	(4,609)
	425,769	(28,875)	(777,100)	299,250	228,542
Net Change in Cash Balances	210,878	6,884	(16,524)	16	33,971
Cash Balances at Beginning of Year	1,861,242	436,564	23,454	60,026	(10,967)
Cash Balances at End of Year	\$ 2,072,120	443,448	6,930	60,042	23,004
Cash Basis Fund Balances:					
Nonspendable - Permanent Fund	\$ 0	0	0	0	0
Restricted for:					
Debt service	0	0	0	60,042	0
Streets	0	443,448	0	0	0
Other purposes	0	0	6,930	0	23,004
Unassigned	2,072,120	0	0	0	0
	\$ 2,072,120	443,448	6,930	60,042	23,004

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, 2014

Other Nonmajor Governmental Funds	<u>Total</u>
182,627	572,508
0	806,870
0	198,300
0	5,590
602	135,656
0	323,393
0	275,207
0	29,677
32,591	300,304
215,820	2,647,505
0	628,910
11,587	386,151
0	384,831
50,182	146,902
1,867	89,567
0	70,000
0	12,250
0	14,800
0	309,250
0	365,021
63,636	2,407,682
152,184	239,823
0	972,846
(194,480)	(1,019,740)
(194,480)	(46,894)
(42,296)	192,929
130,378	2,500,697
88,082	2,693,626
41,113	41,113
0	60,042
0	443,448
46,969	76,903
0	2,072,120
88,082	2,693,626

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, 2014

	<u>Enterprise Funds</u>			<u>Storm Water</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>		
Operating Receipts:					
Charges for services	\$ 323,134	230,181	3,749,377	49,242	4,351,934
Miscellaneous	7,938	347,459	33,292	7,566	396,255
Total Operating Receipts	<u>331,072</u>	<u>577,640</u>	<u>3,782,669</u>	<u>56,808</u>	<u>4,748,189</u>
Disbursements:					
Operating:					
Business type activities	287,356	307,328	2,390,135	37,993	3,022,812
Capital outlay:					
Business type activities	29,956	38,345	263,039	0	331,340
Total Operating Disbursements	<u>317,312</u>	<u>345,673</u>	<u>2,653,174</u>	<u>37,993</u>	<u>3,354,152</u>
Excess of Operating Receipts over Operating Disbursements	<u>13,760</u>	<u>231,967</u>	<u>1,129,495</u>	<u>18,815</u>	<u>1,394,037</u>
Non-Operating Receipts (Disbursements):					
Use of money and property	778	3,737	48,685	0	53,200
Debt service	(39,540)	0	0	0	(39,540)
Total Non-Operating Receipts (Disbursements)	<u>(38,762)</u>	<u>3,737</u>	<u>48,685</u>	<u>0</u>	<u>13,660</u>
Operating Transfers In (Out)	<u>0</u>	<u>0</u>	<u>(203,106)</u>	<u>250,000</u>	<u>46,894</u>
Net Change in Cash Balances	(25,002)	235,704	975,074	268,815	1,454,591
Cash Balances at Beginning 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 Balances at End of Year	<u>\$ 466,475</u>	<u>1,220,349</u>	<u>7,139,893</u>	<u>886,542</u>	<u>9,713,259</u>
Cash Basis Fund Balances:					
Restricted for equipment purchase	\$ 0	0	727,691	0	727,691
Unrestricted	<u>466,475</u>	<u>1,220,349</u>	<u>6,412,202</u>	<u>886,542</u>	<u>8,985,568</u>
Total Cash Basis Fund Balance:	<u>\$ 466,475</u>	<u>1,220,349</u>	<u>7,139,893</u>	<u>886,542</u>	<u>9,713,259</u>

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

CITY OF LAKE MILLS
Notes to the Financial Statements
June 30, 2014

(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 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.

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

Capital Projects Fund – 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, 2014 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, 2014 included \$127,110 deposited with the Iowa Public Agency Investment Trust and \$59,780 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, 2014 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>	
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
2019	3.00	0	0	31,000	8,280	39,280
		810,000	35,320	146,000	50,130	704,440
2020-2024	3.00	0	0	170,000	26,850	196,850
2025-2026	3.00	0	0	75,000	3,390	78,390
		\$ 810,000	35,320	391,000	80,370	979,680

Interest paid on general obligation bonds amounted to \$18,250 and interest paid on revenue bonds amounted to \$12,540 during the year ended June 30, 2014. All of these interest amounts were expensed.

Cash restricted for the payment of bonds at June 30, 2014 is as follows:

General Obligation Bonds	\$ 60,042
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Changes in the general long-term debt account group during the year ended June 30, 2014 are summarized as follows:

Balance at beginning of year	\$ 1,100,000
New debt issued	0
Principal paid	(290,000)
Balance at end of year	\$ 810,000

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 39,730
2016	38,890
2017	39,050
2018	39,180
2019	39,280
	196,130
2020-2024	196,850
2025-2026	78,390
	\$ 471,370

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 5.95% of their annual salary and the City is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$94,744, \$88,065, and \$83,020, 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, 2014 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 70,160
Sick leave	164,809
	<u>\$ 234,969</u>

The liability has been computed based on rates of pay as of June 30, 2014.

(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.

CITY OF LAKE MILLS
Notes to the Financial Statements - Continued

(8) Notes Receivable

The City is the holder of notes receivable in connection with a revolving loan fund established through Community Development Block Grants. The loans carry interest rates ranging from 0% to 1% and are summarized as follows:

Cavett's Lawn and Garden Center	\$ 3,308
Quality Composites	40,419
Teluwut Grillhouse & Pub	49,500
John Hegel d/b/a Main Street Pizza	50,000
Dean Rasmussen d/b/a Dras Cases	50,000
	<u>\$ 193,227</u>

In addition, the City holds a note receivable from Lake Mills Entertainment with an outstanding balance of \$82,148 at June 30, 2014. 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.

(9) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue Fund - Employee Benefits	\$ 168,525
	Special Revenue Fund - Emergency	11,279
	Special Revenue Fund – TIF	18,250
	Capital Projects Fund	4,609
	Proprietary Fund – Electric	223,106
		<u>425,769</u>
Special Revenue - Road Use Tax	Special Revenue Fund - Employee Benefits	14,676
Debt Service Fund	Special Revenue Fund – TIF	299,250
Capital Projects Fund	Special Revenue Fund – Road Use Tax	43,551
	Special Revenue Fund – TIF	189,600
		<u>233,151</u>
Proprietary Fund - Electric	Special Revenue Fund – TIF	20,000
Proprietary Fund - Storm Water	Special Revenue Fund – TIF	250,000
		<u>\$ 1,242,846</u>

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

(10) Major Customer

The City of Lake Mills Enterprise Funds have one major customer which accounted for 19% of the charges for services in the enterprise funds during the year ended June 30, 2014. During the year ended June 30, 2010, this customer announced that it would significantly reduce its level of operations in Lake Mills.

CITY OF LAKE MILLS
Notes to the Financial Statements - Continued

(11) Commitments

At June 30, 2014, the City had an outstanding commitment on a construction contract in the amount of \$90,000. Subsequent to June 30, 2014, the City made additional commitments on construction contracts in the amount of \$233,479 and the purchase of garbage containers for \$41,030.

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, 2014

	Governmental Funds	Proprietary Funds	Total
Receipts:			
Property tax	\$ 572,508	0	572,508
TIF revenues	806,870	0	806,870
Other city taxes	198,300	0	198,300
Licenses and permits	5,590	0	5,590
Use of money and property	135,656	53,200	188,856
Intergovernmental	323,393	0	323,393
Charges for service	275,207	4,748,189	5,023,396
Special assessments	29,677	0	29,677
Miscellaneous	300,304	0	300,304
Total Receipts	<u>2,647,505</u>	<u>4,801,389</u>	<u>7,448,894</u>
Disbursements:			
Public safety	698,910	0	698,910
Public works	398,401	0	398,401
Culture and recreation	399,631	0	399,631
Community and economic development	146,902	0	146,902
General government	89,567	0	89,567
Debt service	309,250	0	309,250
Capital projects	365,021	0	365,021
Business type activities	0	3,393,692	3,393,692
Total Disbursements	<u>2,407,682</u>	<u>3,393,692</u>	<u>5,801,374</u>
Excess (Deficit) of Receipts over (under) Disbursements	239,823	1,407,697	1,647,520
Other Financing Sources (net)	<u>(46,894)</u>	<u>46,894</u>	<u>0</u>
Excess (Deficit) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	192,929	1,454,591	1,647,520
Balances at Beginning of Year	2,500,697	8,258,668	10,759,365
Balances at End of Year	<u>\$ 2,693,626</u>	<u>9,713,259</u>	<u>12,406,885</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, 2014

<u>Budgeted Amount</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
570,002	570,002	2,506
920,589	920,589	(113,719)
129,603	129,603	68,697
4,130	4,130	1,460
88,500	88,500	100,356
231,665	311,619	11,774
4,574,210	4,577,974	445,422
0		29,677
49,200	309,870	(9,566)
<u>6,567,899</u>	<u>6,912,287</u>	<u>536,607</u>
562,387	722,472	23,562
417,117	428,860	30,459
401,460	433,288	33,657
45,150	150,773	3,871
89,816	94,733	5,166
309,250	309,250	0
103,500	420,758	55,737
4,172,210	4,458,470	1,064,778
<u>6,100,890</u>	<u>7,018,604</u>	<u>1,217,230</u>
467,009	(106,317)	1,753,837
<u>0</u>	<u>0</u>	<u>0</u>
467,009	(106,317)	1,753,837
10,513,364	10,513,364	246,001
<u>10,980,373</u>	<u>10,407,047</u>	<u>1,999,838</u>

CITY OF LAKE MILLS
Notes to Other Information – Budgetary Reporting
June 30, 2014

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 \$344,388 and budgeted disbursements by \$917,714. 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, 2014

		<u>Special Revenue</u>	
	<u>Employee</u>	<u>Emergency</u>	<u>Revolving</u>
	<u>Benefits</u>		<u>Loan Fund</u>
Receipts:			
Property tax	\$ 171,348	11,279	0
Use of money and property	0	0	571
Miscellaneous	0	0	15,125
	<u>171,348</u>	<u>11,279</u>	<u>15,696</u>
Total Receipts			
Disbursements:			
Operating:			
Public works	0	0	0
Community and economic development	0	0	50,182
General government	0	0	0
	<u>0</u>	<u>0</u>	<u>50,182</u>
Total Disbursements			
Excess (Deficit) of Receipts over (under) Disbursements	171,348	11,279	(34,486)
Operating transfers in (out)	<u>(183,201)</u>	<u>(11,279)</u>	<u>0</u>
Net Change in Cash Balances	(11,853)	0	(34,486)
Cash Balances at Beginning of Year	18,821	0	74,487
Cash Balances at End of Year	<u>\$ 6,968</u>	<u>0</u>	<u>40,001</u>
Cash Basis Cash Balances:			
Nonspendable - Permanent Fund	\$ 0	0	0
Restricted for other purposes	6,968	0	40,001
	<u>\$ 6,968</u>	<u>0</u>	<u>40,001</u>

CITY OF LAKE MILLS
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and For the Year Ended June 30, 2014

<u>Permanent</u>	<u>Total</u>
0	182,627
31	602
17,466	32,591
<hr/>	<hr/>
17,497	215,820
<hr/>	<hr/>
11,587	11,587
0	50,182
1,867	1,867
<hr/>	<hr/>
13,454	63,636
<hr/>	<hr/>
4,043	152,184
0	(194,480)
<hr/>	<hr/>
4,043	(42,296)
37,070	130,378
<hr/>	<hr/>
41,113	88,082
<hr/>	<hr/>
41,113	41,113
0	46,969
<hr/>	<hr/>
41,113	88,082
<hr/>	<hr/>

CITY OF LAKE MILLS
 Schedule of Long-Term Debt and Interest
 June 30, 2014

	<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, 2014

Amount Originally Issued	Balance June 30, 2013	Issued	Redeemed	Balance June 30, 2014	Interest Paid
\$ 100,000	\$ 40,000	0	10,000	30,000	\$ 0
900,000	500,000	0	100,000	400,000	13,750
840,000	560,000	0	180,000	380,000	4,500
	<u>1,100,000</u>	<u>0</u>	<u>290,000</u>	<u>810,000</u>	<u>18,250</u>
540,000	<u>418,000</u>	<u>0</u>	<u>27,000</u>	<u>391,000</u>	<u>12,540</u>
	<u><u>\$ 1,518,000</u></u>	<u><u>0</u></u>	<u><u>317,000</u></u>	<u><u>1,201,000</u></u>	<u><u>\$ 30,790</u></u>

CITY OF LAKE MILLS

Bond Maturities

June 30, 2014

<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>
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>\$ 30,000</u>		<u>400,000</u>		<u>380,000</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>
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>\$ 391,000</u>

CITY OF LAKE MILLS
Bond Maturities
June 30, 2014

<u>Total</u>
300,000
300,000
110,000
100,000
<u>810,000</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 572,508	556,295	508,187	492,105
TIF revenues	806,870	867,913	1,033,506	1,040,827
Other city taxes	198,300	194,893	184,210	172,008
Licenses and permits	5,590	4,968	3,953	3,622
Use of money and property	135,656	129,245	70,908	57,943
Intergovernmental	323,393	283,734	365,666	258,010
Charges for services	275,207	257,476	243,286	240,793
Special assessments	29,677	32,161	39,088	81,370
Miscellaneous	300,304	99,382	116,720	99,152
 Total Receipts	 <u><u>\$ 2,647,505</u></u>	 <u><u>2,426,067</u></u>	 <u><u>2,565,524</u></u>	 <u><u>2,445,830</u></u>
Disbursements:				
Public safety	\$ 698,910	573,078	515,919	552,123
Public works	398,401	362,678	370,515	383,195
Culture and recreation	399,631	367,390	358,442	360,562
Community and economic development	146,902	115,660	545,232	199,484
General government	89,567	80,753	91,179	80,704
Debt service	309,250	412,781	1,261,554	576,962
Capital projects	365,021	736,320	109,570	199,781
 Total Disbursements	 <u><u>\$ 2,407,682</u></u>	 <u><u>2,648,660</u></u>	 <u><u>3,252,411</u></u>	 <u><u>2,352,811</u></u>

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
483,680	470,325	444,956	482,027	556,235	544,505
996,417	875,568	839,293	752,995	663,129	553,230
151,950	187,675	147,735	154,214	140,268	132,969
3,806	3,163	4,888	5,350	4,596	3,769
41,426	70,813	131,774	133,847	122,356	52,117
269,734	278,738	382,721	299,242	645,188	397,101
232,567	243,213	238,976	239,900	232,693	205,340
44,082	54,971	43,074	141,176	18,156	38,204
72,315	145,596	147,537	141,636	141,388	158,392
<u>2,295,977</u>	<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>
532,505	606,646	537,552	435,163	424,389	448,647
360,746	423,272	490,300	380,796	339,875	339,900
348,472	388,546	375,441	300,204	318,738	271,641
123,659	91,216	316,102	209,294	449,145	267,539
77,306	80,646	95,505	79,751	84,434	81,583
581,738	456,983	442,778	525,228	1,357,768	428,635
0	329,571	62,948	140,155	1,715,417	677,317
<u>2,024,426</u>	<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>

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, 2014, 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, 2014. 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, 2014 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, 2014

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2014

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, 2014

Part II: Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Significant Deficiency

14-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, 2014

Part III: Other Findings Related to Statutory Reporting

14-III-A Certified Budget

The City properly approved a certified budget for the year ended June 30, 2014 and subsequently amended that budget. The budgeted amounts were not exceeded during the year.

14-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.

14-III-C Travel Expense

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

14-III-D Business Transactions

During the year ended June 30, 2014, there were no transactions between the City and City officials.

14-III-E Bond Coverage

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

14-III-F Council Minutes

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

14-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.

14-III-H Deposits and Investments

The City has adopted an appropriate resolution regarding the deposit of public funds in an approved financial institution. During the year ended June 30, 2014, the maximum deposit amount specified in the resolution was exceeded. I noted no other 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.

Response: The maximum deposit amount authorized was increased during the year when it was recognized that the prior authorized limit had been exceeded. It is anticipated that the current authorized maximum deposit amount is adequate.

Conclusion: Response accepted.

CITY OF LAKE MILLS
Schedule of Findings
Year Ended June 30, 2014

14-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.