

CITY OF ACKLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
COMMENTS AND RECOMMENDATIONS

JUNE 30, 2005

- Prepared By -

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CITY OF ACKLEY, IOWA

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CITY OF ACKLEY, IOWA

OFFICIALS

<u>NAME OF OFFICIAL</u>	<u>OFFICIAL TITLE</u>	<u>TERM EXPIRES</u>
Glenn Boheman	Mayor	January 2006
Lance Meyer	Mayor Pro tem	January 2006
Allan Kuiper	Council Member	January 2006
Bonnie Wiederkehr	Council Member	January 2006
Bart Schneck	Council Member	January 2008
Randy Eichmeier	Council Member	January 2008
Carol A. Williams, CMC	Clerk/Treasurer	January 2006
Robert Muhlenbruch	Attorney	January 2006
Michael Nuss	City Administrator	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

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 Ackley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Ackley's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described 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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, 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 Ackley as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated November 10, 2005 on my consideration of the City of Ackley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

November 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Ackley 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, 2005. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 4.7%, or approximately \$63,000 from fiscal 2004 to fiscal 2005. Property tax and intergovernmental revenues increased approximately \$21,000 and 46,000, respectively, however, tax increment financing revenues decreased \$105,500.

Disbursements increased 10.5%, or approximately \$131,000, in fiscal 2005 from fiscal 2004. Public safety, public works, debt service and community and economic development disbursements increased approximately \$97,000, \$56,000, \$50,000 and \$60,000, respectively, while culture and recreation disbursements decreased approximately \$130,000.

The City's total cash basis net assets increased 6.5%, or approximately \$122,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$143,000 and the assets of the business type activities decreased by approximately \$20,000.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Business Type Activities include the waterworks and the sanitary sewer system. 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 six Enterprise Funds to provide separate information for the water and sewer 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 a year ago, from \$1,616,471 to \$1,645,369. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 365	\$ 347
Operating grants, contributions and restricted interest	179	202
Capital grants, contributions, and restricted interest	72	6
General receipts:		
Property tax	455	544
Local option sales tax	121	129
Unrestricted investment earnings	81	80
Other general receipts	18	46
Bond proceeds	245	-
Bond issuing costs	(6)	-
Total receipts	<u>\$1,530</u>	<u>\$1,354</u>
Disbursements:		
Public safety	\$ 417	\$ 320
Public works	321	265
Health and social services	3	3
Culture and recreation	110	240
Community and economic development	64	3
General government	95	132
Debt service	203	139
Capital projects	173	153
Transfers, net	1	6
Total disbursements and transfers	<u>\$1,387</u>	<u>\$1,261</u>
Increase in cash basis net assets	\$ 143	\$ 93
Cash basis net assets beginning of year	<u>1,502</u>	<u>1,409</u>
Cash basis net assets end of year	<u>\$1,645</u>	<u>\$1,502</u>

The City's total receipts for governmental activities decreased by 4.7%, or \$63,000. The total cost of all programs and services increased by approximately \$131,000, or 10.5%, with no new programs added this year. The decrease in receipts was primarily the result of tax increment financing revenues received in 2004.

The cost of all governmental activities this year was \$1,386,562 compared to \$1,260,465 last year. However, as shown in the Statement of Activities and Net Assets on pages 10-13, the amount taxpayers ultimately financed for these activities was only \$770,841 because some of the cost was paid by those directly benefited from the programs (\$365,291) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$250,430). Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2005 from approximately \$1,354,000 to approximately \$1,530,000, principally due to receiving bond proceeds in 2005. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$576,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 141	\$ 135
Sewer utility	124	114
Storm sewer utility	39	36
Other	3	-
General receipts:		
Unrestricted interest on investments	1	-
Transfers, net	1	5
Total receipts and transfers	<u>\$ 309</u>	<u>\$ 290</u>
Disbursements and transfers:		
Water	\$ 236	\$ 237
Sewer utility	91	102
Storm sewer utility	1	-
Other	1	-
Total disbursements	<u>\$ 329</u>	<u>\$ 339</u>
Increase (decrease) in cash balance	\$ (20)	\$ (49)
Cash basis net assets beginning of year	<u>356</u>	<u>405</u>
Cash basis net assets end of year	<u>\$ 336</u>	<u>\$ 356</u>

Total business type activities receipts and transfers for the fiscal year were \$309,177 compared to \$290,123 last year. This increase was due primarily to increased receipts in the sewer fund. The cash balance decreased by approximately \$20,000 from the prior year. Total disbursements for the fiscal year decreased by 3% to a total of \$329,609.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ackley completed the year, its governmental funds reported a combined fund balance of \$1,645,369, an increase of more than \$142,000 above last year's total of \$1,502,575. 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 decreased \$105,427 from the prior year to \$(329,225).

The Road Use Tax Fund cash balance decreased by \$10,561 to \$197,418 during the fiscal year. This decrease was attributable to administrative payroll.

The Tax Increment Financing Fund cash balance increased by \$377 to \$280,339 during the fiscal year. This fund has excess moneys to be used in the established TIF districts. No activity took place during the year.

The Capital Reserve Endowment Fund cash balance increased by \$5,253 to \$932,072 during the year ended June 30, 2005. This was due to the investments of the fund earning more in interest than was needed to make the debt payments.

The Debt Service Fund cash balance decreased by \$9,878 to \$28,898 during the fiscal year.

The Capital Projects fund cash balance increased by \$162,581 to \$347,409 during the year ended June 30, 2005. This was due to bond proceeds received during 2005.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$100,507 to \$(123,923), due primarily to water tower repairs, tower painting, and water main repairs.

The Water Improvement Reserve cash balance increased by \$6,000 to \$109,373 due to a transfer in.

The Sewer Utility Fund cash balance increased by \$34,010 to \$236,196, due primarily to the sewer rates.

The Storm Sewer Utility Fund cash balance increased by \$38,929 to \$100,472, due primarily to storm sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 31, 2005 and resulted in the increase of several revenues and disbursements.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$1,560,000 in bonds and other long-term debt, compared to approximately \$1,530,000 in 2004, as shown on the following page.

Outstanding Debt at Year-End
(Expressed in Thousands)

	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 1,070	\$ 1,200
Revenue note	490	330
Total	<u>\$ 1,560</u>	<u>\$ 1,530</u>

Debt increased as a result of an additional sewer revenue capital loan note during 2005. Principal and interest payments were made as scheduled. 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 \$1,070,000 is significantly below its constitutional debt limit of \$2,341,133.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Ackley elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

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, Carol Williams, City Clerk, City of Ackley.

CITY OF ACKLEY, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 417,185	\$ 176,318	\$ 3,221	\$ 68,394
Public works	321,157	125,483	164,692	-
Health and social services	3,400	-	-	-
Culture and recreation	110,379	44,938	3,916	-
Community and economic development	64,215	18,552	6,895	-
General government	94,400	-	-	-
Debt service	203,199	-	-	-
Capital projects	172,627	-	-	3,312
Total governmental activities	<u>\$1,386,562</u>	<u>\$ 365,291</u>	<u>\$ 178,724</u>	<u>\$ 71,706</u>
Business type activities:				
Water	\$ 236,210	\$ 140,465	\$ -	\$ -
Sewer utility	91,480	124,282	-	-
Storm sewer utility	515	39,444	-	-
Other	1,404	2,540	-	-
Total business type activities	<u>\$ 329,609</u>	<u>\$ 306,731</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,716,171</u>	<u>\$ 672,022</u>	<u>\$ 178,724</u>	<u>\$ 71,706</u>

(continued)

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

Governmental Activities	Business Type Activities	Total
\$ (169,252)	\$ -	\$ (169,252)
(30,982)	-	(30,982)
(3,400)	-	(3,400)
(61,525)	-	(61,525)
(38,768)	-	(38,768)
(94,400)	-	(94,400)
(203,199)	-	(203,199)
(169,315)	-	(169,315)
\$ (770,841)	\$ -	\$ (770,841)
\$ -	\$ (95,745)	\$ (95,745)
-	32,802	32,802
-	38,929	38,929
-	1,136	1,136
\$ -	\$ (22,878)	\$ (22,878)
\$ (770,841)	\$ (22,878)	\$ (793,719)

CITY OF ACKLEY, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Unrestricted interest on investments
Bond proceeds
Bond issuing costs
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Debt service
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 354,603	\$ -	\$ 354,603
377	-	377
100,041	-	100,041
121,243	-	121,243
80,765	1,208	81,973
245,000	-	245,000
(5,781)	-	(5,781)
18,625	-	18,625
<u>(1,238)</u>	<u>1,238</u>	<u>-</u>
<u>\$ 913,635</u>	<u>\$ 2,446</u>	<u>\$ 916,081</u>
\$ 142,794	\$ (20,432)	\$ 122,362
<u>1,502,575</u>	<u>356,491</u>	<u>1,859,066</u>
<u>\$ 1,645,369</u>	<u>\$ 336,059</u>	<u>\$ 1,981,428</u>
\$ 28,898	\$ -	\$ 28,898
<u>1,616,471</u>	<u>336,059</u>	<u>1,952,530</u>
<u>\$ 1,645,369</u>	<u>\$ 336,059</u>	<u>\$ 1,981,428</u>

CITY OF ACKLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue			
	General	Road Use Tax	Tax Increment Financing	Capital Reserve Endowment
RECEIPTS:				
Property tax	\$ 242,030	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	377	-
Use of money and property	32,390	-	-	68,222
Other city tax	-	-	-	-
Licenses and permits	4,282	-	-	-
Intergovernmental	37,087	150,411	-	-
Charges for service	308,441	-	-	-
Special assessments	3,312	-	-	-
Miscellaneous	18,146	242	-	-
Total receipts	\$ 645,688	\$ 150,653	\$ 377	\$ 68,222
DISBURSEMENTS:				
Operating:				
Public safety	\$ 402,943	\$ -	\$ -	\$ -
Public works	135,461	185,696	-	-
Health and social services	3,400	-	-	-
Culture and recreation	110,370	-	-	-
Community and economic development	62,928	-	-	-
General government	94,400	-	-	-
Debt service	-	-	-	62,969
Debt reimbursement from Ackley Development Commission	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	\$ 809,502	\$ 185,696	\$ -	\$ 62,969
Excess (deficiency) of receipts over (under) disbursements	\$ (163,814)	\$ (35,043)	\$ 377	\$ 5,253
Other financing sources (uses):				
Operating transfers in	\$ 100,619	\$ 24,482	\$ -	\$ -
Operating transfers out	(42,232)	-	-	-
Bond proceeds	-	-	-	-
Bond issuing costs	-	-	-	-
Total other financing sources (uses)	\$ 58,387	\$ 24,482	\$ -	\$ -
Net change in cash balances	\$ (105,427)	\$ (10,561)	\$ 377	\$ 5,253
Cash balances beginning of year	(286,798)	207,979	279,962	926,819
Cash balances end of year	\$ (392,225)	\$ 197,418	\$ 280,339	\$ 932,072

(continued)

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 100,041	\$ -	\$ 112,573	\$ 454,644
-	-	-	377
-	-	704	101,316
30,311	90,932	-	121,243
-	-	-	4,282
-	-	81,038	268,536
-	-	-	308,441
-	-	-	3,312
-	-	10,836	29,224
<u>\$ 130,352</u>	<u>\$ 90,932</u>	<u>\$ 205,151</u>	<u>\$ 1,291,375</u>
\$ -	\$ -	\$ 14,242	\$ 417,185
-	-	-	321,157
-	-	-	3,400
-	-	9	110,379
-	-	1,287	64,215
-	-	-	94,400
174,530	-	-	237,499
(34,300)	-	-	(34,300)
-	167,570	5,057	172,627
<u>\$ 140,230</u>	<u>\$ 167,570</u>	<u>\$ 20,595</u>	<u>\$ 1,386,562</u>
<u>\$ (9,878)</u>	<u>\$ (76,638)</u>	<u>\$ 184,556</u>	<u>\$ (95,187)</u>
\$ -	\$ -	\$ 42,232	\$ 167,333
-	-	(126,339)	(168,571)
-	245,000	-	245,000
-	(5,781)	-	(5,781)
<u>\$ -</u>	<u>\$ 239,219</u>	<u>\$ (84,107)</u>	<u>\$ 237,981</u>
\$ (9,878)	\$ 162,581	\$ 100,449	\$ 142,794
38,776	184,828	151,009	1,502,575
<u>\$ 28,898</u>	<u>\$ 347,409</u>	<u>\$ 251,458</u>	<u>\$ 1,645,369</u>

CITY OF ACKLEY, IOWA
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>Tax Increment Financing</u>	<u>Capital Reserve Endowment</u>
Cash Basis Fund Balances:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	(392,224)	-	-	-
Special revenue funds	-	197,418	280,339	932,072
Capital project funds	-	-	-	-
Permanent fund	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash basis fund balances	<u>\$ (392,224)</u>	<u>\$ 197,418</u>	<u>\$ 280,339</u>	<u>\$ 932,072</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 28,898	\$ -	\$ -	\$ 28,898
-	-	-	(392,224)
-	-	143,127	1,552,956
-	347,409	54,606	402,015
-	-	53,725	53,725
<u>\$ 28,898</u>	<u>\$ 347,409</u>	<u>\$ 251,458</u>	<u>\$ 1,645,370</u>

CITY OF ACKLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	Enterprise	
	Water	Water Improvement Reserve
Operating receipts:		
Charges for service	\$ 134,117	\$ -
Miscellaneous	6,348	-
Total operating receipts	\$ 140,465	\$ -
Operating disbursements:		
Business type activities	208,887	-
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (68,422)	\$ -
Non-operating receipts (disbursements):		
Interest on investments	\$ -	\$ -
Debt service	(27,323)	-
Total non-operating receipts (disbursements)	\$ (27,323)	-
Excess (deficiency) of receipts over (under) disbursements	\$ (95,745)	\$ -
Other financing sources (uses):		
Operating transfers in	\$ 1,238	\$ 6,000
Operating transfers out	(6,000)	-
Total other financing sources (uses)	\$ (4,762)	\$ 6,000
Net change in cash balances	\$ (100,507)	\$ 6,000
Cash balances beginning of year	(23,386)	103,373
Cash balances end of year	\$ (123,893)	\$ 109,373
Cash Basis Fund Balances		
Reserved		
Other	\$ -	\$ 109,373
Unreserved	(123,893)	-
Total Cash Basis Fund Balances	\$ (123,893)	\$ 109,373

See Notes to Financial Statements.

Funds			
<u>Sewer Utility</u>	<u>Storm Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ 122,045	\$ 39,444	\$ 2,540	\$ 298,146
2,237	-	-	8,585
<u>\$ 124,282</u>	<u>\$ 39,444</u>	<u>\$ 2,540</u>	<u>\$ 306,731</u>
75,574	515	1,404	286,380
<u>\$ 48,708</u>	<u>\$ 38,929</u>	<u>\$ 1,136</u>	<u>\$ 20,351</u>
\$ 1,208	\$ -	\$ -	\$ 1,208
(15,906)	-	-	(43,229)
<u>\$ (14,698)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,021)</u>
<u>\$ 34,010</u>	<u>\$ 38,929</u>	<u>\$ 1,136</u>	<u>\$ (21,670)</u>
\$ -	\$ -	\$ -	\$ 7,238
-	-	-	(6,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,238</u>
\$ 34,010	\$ 38,929	\$ 1,136	\$ (20,432)
202,186	61,543	12,775	356,491
<u>\$ 236,196</u>	<u>\$ 100,472</u>	<u>\$ 13,911</u>	<u>\$ 336,059</u>
\$ -	\$ -	\$ 13,911	\$ 123,284
236,196	100,472	-	212,775
<u>\$ 236,196</u>	<u>\$ 100,472</u>	<u>\$ 13,911</u>	<u>\$ 336,059</u>

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The City of Ackley is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1857 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, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Ackley 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 of Ackley has no component units which 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: Hardin County Assessor's Conference Board, Hardin County Emergency Management Commission and Hardin County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies - continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided 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 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 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:

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

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

The Capital Reserve Endowment is used to account for the swimming pool investment and principal and interest payments.

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

The Capital Projects fund accounts for moneys received for capital projects and the related disbursements.

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

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

The Water Improvement Reserve Fund accounts for funds reserved for future water repairs and improvements.

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

The Storm Sewer Utility Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

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

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

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, the disbursements exceeded the amounts budgeted in the public safety, community and economic development and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(2) **Cash and Pooled Investments** - continued

At June 30, 2005, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
U. S. Treasury bonds	<u>\$915,325</u>	<u>\$1,215,715</u>	<u>May 2016</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$112,501 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) **Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 110,000	\$ 61,295	\$ 95,000	\$ 22,271	\$ 205,000	\$ 83,566
2007	115,000	54,875	95,000	18,400	210,000	73,275
2008	120,000	48,083	60,000	14,175	180,000	62,258
2009	130,000	40,941	40,000	11,355	170,000	52,296
2010	135,000	33,193	40,000	9,398	175,000	42,591
2011	145,000	25,768	15,000	7,398	160,000	33,166
2012	155,000	17,720	15,000	6,805	170,000	24,525
2013	160,000	9,040	15,000	6,183	175,000	15,223
2014	-	-	15,000	5,538	15,000	5,538
2015	-	-	20,000	4,870	20,000	4,870
2016	-	-	20,000	3,950	20,000	3,950
2017	-	-	20,000	3,000	20,000	3,000
2018	-	-	20,000	2,020	20,000	2,020
2019	-	-	20,000	1,020	20,000	1,020
Total	<u>\$1,070,000</u>	<u>\$290,915</u>	<u>\$490,000</u>	<u>\$116,383</u>	<u>\$1,560,000</u>	<u>\$407,298</u>

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(3) Bonds and Notes Payable - continued

The resolutions providing for the issuance of the general obligation bonds and notes include the following provisions:

- (a) At the option of the City, notes due on the Essential Corporate Purpose issues of April 1, 1995 and May 1, 1999, are subject to redemption and prepayment in any order of maturity beginning June 1, 2005, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- (b) At the option of the City, notes due on the Essential Corporate Purpose issue of December 1, 1999, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2007, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.
- (c) At the option of the City, notes due on the Essential Corporate Purpose issue of September 1, 2000, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2009, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the respective activities and bond/note holders hold a lien on the future earnings of the funds.
- (b) The City Council has by Resolution dated October 7, 1992, pledged all interest and other revenues generated from funds contained in the Capital Reserve Endowment Trust Fund established by the Council by resolution dated December 8, 1987 to the repayment of debt and obligations incurred for the Ackley Swimming Pool Project.
- (c) At the option of the city, notes due on the Water Revenue Capital Loan Note issue of September 1, 2000, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2007, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.
- (d) At the option of the City, notes due on the Sewer Revenue Capital Loan Note issue of November 1, 2004, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2013, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

CITY OF ACKLEY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(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 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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2005 was \$23,023, equal to the required contribution for the year.

(5) Compensated Absences

City employees receive a limited amount of vacation hours to be used during the current fiscal year. Employees may carry over their vacation hours to the following fiscal year only through mayor approval. City employees also accumulate a limited amount of earned but unused comp time and sick leave hours for subsequent use or for payment upon retirement only. These accumulations are not recognized as disbursements by the city until used or paid. The City's approximate liability for earned comp time and sick leave payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$69,858
Compensatory Time	3,257
	<u>\$73,115</u>

This liability has been computed based on rates of pay as of June 30, 2005.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	
General	Special Revenue:	
	Employee benefits	\$ 80,548
	Emergency levy	6,305
	Police car expendable trust	13,656
	Save the depot	110
		<u>\$ 100,619</u>

CITY OF ACKLEY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(6) Interfund Transfers - continued

Special Revenue:	Special Revenue:	
Road use tax	Employee benefits	24,483
Policy car expendable trust	General	3,500
Fire expendable trust	General	4,116
Ambulance expendable trust	General	34,616
Enterprise:	Special Revenue:	
Water	Employee benefits	1,238
	Enterprise:	
Water Improvement Reserve	Water	6,000
		<u>\$ 174,572</u>

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

(7) Industrial Development Revenue Bonds

The City has issued \$830,000 of solid waste revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The bonds outstanding at June 30, 2005 were \$530,000.

(8) Risk Management

The City 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 whose 509 members include various governmental entities through out 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 to equal 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.

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(8) Risk Management - continued

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, 2005, were \$28,513.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2005, 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.

The City also carries commercial insurance purchased from other insurers for coverage associated with Iowa Municipalities Workers' Compensation Association (IMWCA). The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF ACKLEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(9) Deficit Balances

At June 30, 2005, the General Fund, Special Revenue Funds - Tourism Foundation Trust and Save the Depot Accounts, Capital Project Fund - Daycare Project and Enterprise Fund - Water, had deficit balances of \$392,225, \$2,971, and \$82,547, \$229, and \$123,893 respectively. The deficits will be eliminated through tax collections and interfund transfers.

(10) Commitments

At June 30, 2005, the following construction commitments had been made:

	Total Contracts	Costs Incurred to Date
Wastewater Plant Improvement	\$ 251,550	\$ 160,474

Required Supplementary Information

CITY OF ACKLEY, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES
 BUDGET AND ACTUAL (CASH BASIS) - ALL
 GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required <u>To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 454,644	\$ -	\$ -
Tax increment financing collections	377	-	-
Other city tax	121,243	-	-
Licenses and permits	4,282	-	-
Use of money and property	101,316	1,208	-
Intergovernmental	268,536	-	-
Charges for service	308,441	298,146	-
Special assessments	3,312	-	-
Miscellaneous	29,224	8,585	-
Total receipts	<u>\$ 1,291,375</u>	<u>\$ 307,939</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 417,185	\$ -	\$ -
Public works	321,157	-	-
Health and social services	3,400	-	-
Culture and recreation	110,379	-	-
Community and economic development	64,215	-	-
General government	94,400	-	-
Debt service	203,199	43,229	-
Capital projects	172,627	-	-
Business activities	-	286,380	-
Total disbursements	<u>\$ 1,386,562</u>	<u>\$ 329,609</u>	<u>\$ -</u>
Deficiency of receipts under disbursements	\$ (95,187)	\$ (21,670)	\$ -
Other financing sources, net	<u>237,981</u>	<u>1,238</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	\$ 142,794	\$ (20,432)	\$ -
Balance beginning of year	<u>1,502,575</u>	<u>356,491</u>	<u>-</u>
Balance end of year	<u>\$ 1,645,369</u>	<u>\$ 336,059</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 454,644	\$ 458,638	\$ 458,638	\$ (3,994)
377	-	-	377
121,243	142,899	142,899	(21,656)
4,282	3,500	3,500	782
102,524	98,348	98,348	4,176
268,536	175,157	243,551	24,985
606,587	584,345	584,345	22,242
3,312	4,000	4,000	(688)
37,809	43,925	47,425	(9,616)
<u>\$1,599,314</u>	<u>\$1,510,812</u>	<u>\$1,582,706</u>	<u>\$ 16,608</u>
\$ 417,185	\$ 305,409	\$ 373,803	\$ (43,382)
321,157	325,726	325,726	4,569
3,400	3,500	3,500	100
110,379	133,140	169,499	59,120
64,215	14,641	14,641	(49,574)
94,400	110,878	110,878	16,478
246,428	202,614	202,614	(43,814)
172,627	88,500	327,719	155,092
286,380	484,519	484,519	198,139
<u>\$1,716,171</u>	<u>\$1,668,927</u>	<u>\$2,012,899</u>	<u>\$ 296,728</u>
\$ (116,857)	\$ (158,115)	\$ (430,193)	\$ 313,336
<u>239,219</u>	<u>-</u>	<u>239,219</u>	<u>-</u>
\$ 122,362	\$ (158,115)	\$ (190,974)	\$ 313,336
<u>1,859,066</u>	<u>1,734,234</u>	<u>1,734,234</u>	<u>124,832</u>
<u>\$1,981,428</u>	<u>\$1,576,119</u>	<u>\$1,543,260</u>	<u>\$ 438,168</u>

CITY OF ACKLEY, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not begin 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 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 activities and nonprogram. 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, there was one budget amendment.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, community and economic development, and debt service functions.

Other Supplementary Information

CITY OF ACKLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	S p e c i a l				
	Employee Benefits	Emergency Levy	Police Car Expendable Trust	Ambulance Expendable Trust	Fire Expendable Trust
RECEIPTS:					
Property tax	\$ 106,268	\$ 6,305	\$ -	\$ -	\$ -
Use of money and property	-	-	-	427	91
Intergovernmental	-	-	-	-	81,038
Miscellaneous	-	-	-	2,990	231
Total receipts	\$ 106,268	\$ 6,305	\$ -	\$ 3,417	\$ 81,360
DISBURSEMENTS:					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 14,242
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	\$ -	\$ -	\$ -	\$ -	\$ 14,242
Excess (deficiency) of receipts over (under) disbursements	\$ 106,268	\$ 6,305	\$ -	\$ 3,417	\$ 67,118
Other financing sources (uses):					
Operating transfers in	\$ -	\$ -	\$ 3,500	\$ 34,616	\$ 4,116
Operating transfers out	(106,268)	(6,305)	(13,656)	-	-
Total other financing sources (uses)	\$ (106,268)	\$ (6,305)	\$ (10,156)	\$ 34,616	\$ 4,116
Net change in cash balances	\$ -	\$ -	\$ (10,156)	\$ 38,033	\$ 71,234
Cash balances beginning of year	-	-	13,675	43,198	68,396
Cash balances end of year	\$ -	\$ -	\$ 3,519	\$ 81,231	\$ 139,630
Cash Basis Fund Balances:					
Unreserved:					
Special revenue funds	\$ -	\$ -	\$ 3,519	\$ 81,231	\$ 139,630
Capital project funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ -	\$ 3,519	\$ 81,231	\$ 139,630

See Accompanying Independent Auditor's Report.

R e v e n u e			Capital Projects		Permanent	Total
Swimming Pool Trust	Tourism Foundation Trust	Save The Depot	Daycare Project	Street Project	Cemetery Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,573
23	163	-	-	-	-	704
-	-	-	-	-	-	81,038
-	6,895	-	-	-	720	10,836
<u>\$ 23</u>	<u>\$ 7,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 720</u>	<u>\$ 205,151</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,242
-	-	-	-	-	9	9
-	-	1,287	-	-	-	1,287
-	-	-	5,057	-	-	5,057
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287</u>	<u>\$ 5,057</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 20,595</u>
<u>\$ 23</u>	<u>\$ 7,058</u>	<u>\$ (1,287)</u>	<u>\$ (5,057)</u>	<u>\$ -</u>	<u>\$ 711</u>	<u>\$ 184,556</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,232
-	-	(110)	-	-	-	(126,339)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (84,107)</u>
\$ 23	\$ 7,058	\$ (1,397)	\$ (5,057)	\$ -	\$ 711	\$ 100,449
4,242	(10,029)	(81,150)	4,828	54,835	53,014	151,009
<u>\$ 4,265</u>	<u>\$ (2,971)</u>	<u>\$ (82,547)</u>	<u>\$ (229)</u>	<u>\$ 54,835</u>	<u>\$ 53,725</u>	<u>\$ 251,458</u>
\$ 4,265	\$ (2,971)	\$ (82,547)	\$ -	\$ -	\$ -	\$ 143,127
-	-	-	(229)	54,835	-	54,606
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,725</u>	<u>53,725</u>
<u>\$ 4,265</u>	<u>\$ (2,971)</u>	<u>\$ (82,547)</u>	<u>\$ (229)</u>	<u>\$ 54,835</u>	<u>\$ 53,725</u>	<u>\$ 251,458</u>

CITY OF ACKLEY, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Water Reserve Sinking</u>	<u>Water Deposits</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ -	\$ 2,540	\$ 2,540
Operating disbursements:			
Business type activities	<u>-</u>	<u>1,404</u>	<u>1,404</u>
Net change in cash balances	\$ -	\$ 1,136	\$ 1,136
Cash balances beginning of year	<u>6,511</u>	<u>6,264</u>	<u>12,775</u>
Cash balances end of year	<u>\$ 6,511</u>	<u>\$ 7,400</u>	<u>\$ 13,911</u>
Cash Basis Fund Balances			
Reserved:			
Other	<u>\$ 6,511</u>	<u>\$ 7,400</u>	<u>\$ 13,911</u>

See Accompanying Independent Auditor's Report.

CITY OF ACKLEY, IOWA
 STATEMENT OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Essential corporate purpose	4-01-95	5.35-6.25%	\$435,000
Essential corporate purpose	5-01-99	5.70-6.50	250,000
Essential corporate purpose	12-01-99	4.70-5.50	190,000
Essential corporate purpose	9-01-00	5.00-5.65	760,000
Revenue Notes:			
Sewer revenue capital loan notes	11-01-04	2.45-5.10%	\$245,000
Water revenue capital loan notes	9-01-00	5.15-5.75	190,000
Swimming pool revenue capital loan notes	3-27-03	2.75-4.75	250,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 205,000	\$ -	\$ 35,000	\$ 170,000	\$ 12,757	\$ -
140,000	-	25,000	115,000	8,900	-
130,000	-	20,000	110,000	6,895	-
700,000	-	25,000	675,000	38,778	-
<u>\$1,175,000</u>	<u>\$ -</u>	<u>\$105,000</u>	<u>\$1,070,000</u>	<u>\$ 67,330</u>	<u>\$ -</u>
\$ -	\$245,000	\$ 10,000	\$ 235,000	\$ 5,906	\$ -
130,000	-	20,000	110,000	7,323	-
200,000	-	55,000	145,000	7,982	-
<u>\$ 330,000</u>	<u>\$245,000</u>	<u>\$ 85,000</u>	<u>\$ 490,000</u>	<u>\$ 21,211</u>	<u>\$ -</u>
<u><u>\$1,505,000</u></u>	<u><u>\$245,000</u></u>	<u><u>\$190,000</u></u>	<u><u>\$1,560,000</u></u>	<u><u>\$ 88,541</u></u>	<u><u>\$ -</u></u>

CITY OF ACKLEY, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2005

Year Ending June 30,	GENERAL OBLIGATION BONDS			
	Essential Corporate Purpose		Essential Corporate Purpose	
	Issued April 1, 1995		Issued May 1, 1999	
	Interest Rates	Amount	Interest Rates	Amount
2006	6.20%	\$ 40,000	6.30%	\$ 25,000
2007	6.25	40,000	6.35	30,000
2008	6.25	45,000	6.40	30,000
2009	6.25	45,000	6.50	30,000
2010		-		-
2011		-		-
2012		-		-
2013		-		-
		<u>\$170,000</u>		<u>\$115,000</u>

Year Ending June 30,	REVENUE NOTES			
	Swimming Pool Revenue		Water Revenue	
	Capital Loan Notes		Capital Loan Notes	
	Issued March 27, 2003		Issued September 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount
2006	3.90%	\$ 60,000	5.55%	\$ 20,000
2007	4.40	60,000	5.60	20,000
2008	4.75	25,000	5.65	20,000
2009		-	5.70	25,000
2010		-	5.75	25,000
2011		-		-
2012		-		-
2013		-		-
2014		-		-
2015		-		-
2016		-		-
2017		-		-
2018		-		-
2019		-		-
		<u>\$145,000</u>		<u>\$110,000</u>

See Accompanying Independent Auditor's Report.

AND NOTES

<u>Essential Corporate Purpose</u>		<u>General Corporate Purpose</u>		<u>Total</u>
<u>Issued December 1, 1999</u>		<u>Issued September 1, 2000</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
5.20%	\$ 20,000	5.30%	\$ 25,000	\$ 110,000
5.25	20,000	5.35	25,000	115,000
5.30	20,000	5.40	25,000	120,000
5.40	25,000	5.45	30,000	130,000
5.50	25,000	5.50	110,000	135,000
	-	5.55	145,000	145,000
	-	5.60	155,000	155,000
	-	5.65	160,000	160,000
	<u>\$110,000</u>		<u>\$675,000</u>	<u>\$1,070,000</u>

<u>Sewer Revenue</u>		<u>Total</u>
<u>Capital Loan Notes</u>		
<u>Issued November 1, 2004</u>		
<u>Interest Rates</u>	<u>Amount</u>	
2.80%	\$ 15,000	\$ 95,000
3.10	15,000	95,000
3.35	15,000	60,000
3.55	15,000	40,000
3.75	15,000	40,000
3.95	15,000	15,000
4.15	15,000	15,000
4.30	15,000	15,000
4.45	15,000	15,000
4.60	20,000	20,000
4.75	20,000	20,000
4.90	20,000	20,000
5.00	20,000	20,000
5.10	20,000	20,000
	<u>\$235,000</u>	<u>\$ 490,000</u>



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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

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 Ackley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated November 10, 2005. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Ackley's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Ackley's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ackley's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ackley and other parties to whom the City of Ackley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



November 10, 2005

CITY OF ACKLEY, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 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. I noted that one person has control over most of the accounting and banking functions.

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

Response - We will consider this.

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

II-B-05 Signature Cards - The authorized users listed on the signature cards are not current on the City's account.

Recommendation - All bank authorized signature cards should be reviewed and updated. Only current City employees or council members should be authorized signers.

Response - We will update the user cards.

Conclusion - Response accepted.

CITY OF ACKLEY, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the several different functions. 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 budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will do this.

Conclusion - Response accepted.

IV-C-05 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.

IV-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-05 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-F-05 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-05 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the code of Iowa.

Recommendation - The City should comply with the Code of Iowa and publish minutes as required.

Response - We will do this.

Conclusion - Response accepted.

CITY OF ACKLEY, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting: - continued

IV-H-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-05 Financial Condition - The General Fund, Special Revenue Fund - Tourism Foundation Trust and Save the Depot accounts, Capital Projects Fund - Daycare Project, and Enterprise Fund - Water Accounts had deficit balances of \$392,225, \$2,971, \$82,547, \$229 and \$123,893, respectively at June 30, 2005.

Recommendation - The City should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition.

Response - The deficits will be monitored in the future.

Conclusion - Response accepted.

