

# **City of Akron**

Akron, Iowa

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Independent Auditors' Reports  
Basic Financial Statements and  
Supplemental Information  
Schedule of Findings and Responses

June 30, 2007

# City of Akron

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**City of Akron  
City Officials  
Year Ended June 30, 2007**

| <u>Name</u>                | <u>Title</u> | <u>Term Expires</u> |
|----------------------------|--------------|---------------------|
| <u>Before January 2007</u> |              |                     |
| Harold Higman, Jr.         | Mayor        | January 2008        |
| Bob Frerichs               | Member       | January 2008        |
| John Lucken                | Member       | January 2008        |
| Lisa Roggatz               | Member       | January 2008        |
| Deanna Boe                 | Member       | January 2010        |
| Chad Ericson               | Member       | January 2010        |

|                           |        |              |
|---------------------------|--------|--------------|
| <u>After January 2007</u> |        |              |
| Harold Higman, Jr.        | Mayor  | January 2008 |
| Bob Frerichs              | Member | January 2008 |
| John Lucken               | Member | January 2008 |
| Lisa Roggatz              | Member | January 2008 |
| Deanna Boe                | Member | January 2010 |
| Chad Ericson              | Member | January 2010 |

APPOINTED OFFICIALS

|                   |           |            |
|-------------------|-----------|------------|
| Mindee Weinschenk | Clerk     | Indefinite |
| Karen Wardrip     | Treasurer | Indefinite |
| David Stuart      | Attorney  | Indefinite |



KING, REINSCH, PROSSER & CO., L.L.P.  
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## **Independent Auditors' Report**

To the Honorable Mayor and  
Members of the City Council  
City of Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Akron, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Akron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinions.

As described in the notes, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Akron, Iowa, as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.



KING, REINSCH, PROSSER & CO., L.L.P.  
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008 on our consideration of the City of Akron's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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 our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 22 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akron's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sioux City, Iowa  
February 29, 2008

King, Reinsch, Prosser + Co., L.L.P.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Akron 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2007 Financial Highlights

- Receipts and transfers of the City's governmental activities increased 1 percent, or approximately \$10,000, from fiscal 2006 to fiscal 2007. Operating grants increased by approximately \$74,000 and capital grants decreased by approximately \$70,000 from fiscal 2006 to fiscal 2007. Property tax decreased approximately \$8,500.
- Disbursements of the City's governmental activities increased 19 percent, or approximately \$243,000, in fiscal 2007 from fiscal 2006. Public works disbursements increased approximately \$114,000. Community and economic development, culture and recreation, and capital projects disbursements increased approximately \$91,000, \$58,000 and \$26,000, respectively. Public safety disbursements decreased approximately \$42,000.
- The City's total cash basis net assets decreased 17 percent, or approximately \$142,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$165,000 and the assets of the business type activities increased by approximately \$23,000.

### 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 - Cash Basis. 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 and proprietary 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 Statements*

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 - Cash Basis reports information which helps answer this question.

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

- Governmental Activities includes public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the electric system, the sanitary sewer system, and the Akron Care Center (a blended component unit). 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 Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects 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 funds. Electric Utility, Sewer Utility, Water Utility and Akron Care Center funds are considered to be major enterprise funds of the City.

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

### **Government-Wide Financial Analysis**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$386,538 to \$221,463. The analysis that follows focuses on the changes in cash balances for governmental activities.

#### **Changes in Cash Basis Net Assets of Governmental Activities** **Year Ended June 30,**

|  | <u>2007</u>         | <u>2006</u>         |
|--|---------------------|---------------------|
| Receipts and transfers:                                      |                     |                     |
| Program receipts:  |                     |                     |
| Charges for service  | \$ 228,449          | \$ 213,648          |
| Operating grants, contributions and restricted interest      | 230,190             | 156,357             |
| Capital grants, contributions and restricted interest        | 26,310              | 97,027              |
| General receipts:  |                     |                     |
| Property tax   | 393,951             | 402,469             |
| Local option sales tax                                       | 132,245             | 129,573             |
| Franchise tax  | 24,479              | 20,926              |
| Grants and contributions not restricted to specific purposes | 8,743               | 7,605               |
| Unrestricted investment earnings                             | 2,910               | 2,959               |
| Other general receipts                                       | 96,164              | 84,862              |
| Transfers, net   | <u>206,716</u>      | <u>224,657</u>      |
| Total receipts and transfers                                 | <u>\$ 1,350,157</u> | <u>\$ 1,340,083</u> |
| Disbursements:   |                     |                     |
| Public safety  | \$ 278,252          | \$ 319,839          |
| Public works   | 328,074             | 213,891             |
| Health and social services                                   | 21,390              | 20,471              |
| Culture and recreation                                       | 243,324             | 185,696             |
| Community and economic development                           | 148,049             | 56,743              |
| General government   | 120,134             | 128,807             |
| Debt service   | 105,855             | 102,836             |
| Capital projects   | <u>270,154</u>      | <u>244,085</u>      |
| Total disbursements  | <u>\$ 1,515,232</u> | <u>\$ 1,272,368</u> |
| Increase (decrease) in cash basis net assets                 | \$ (165,075)        | \$ 67,715           |
| Cash basis net assets beginning of year                      | <u>386,538</u>      | <u>318,823</u>      |
| Cash basis net assets end of year                            | <u>\$ 221,463</u>   | <u>\$ 386,538</u>   |

The City's total receipts and transfers for governmental activities increased by 1 percent, or \$10,074. The total cost of all programs and services increased by \$242,864, or 19 percent. The increase in cost of programs and services was due to increases in public works, culture and recreation and community and economic development functions. New public works vehicles were purchased during the year, and improvements were made to the Sergeant Field Park. In the current year, a community development block grant was obtained on behalf of Edecen Financial Services. The grant disbursements totaled approximately \$75,000 for the year. Public safety decreased by approximately \$42,000.

The cost of all governmental activities this year was \$1,515,232 compared to \$1,272,368 last year. However, as shown in the Statement of Activities and Net Assets - Cash Basis on page 10, the amount taxpayers ultimately financed for these activities was \$1,030,283 because some of the cost was paid by those directly benefited from the programs (\$228,449) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$256,500). The City's program receipts, including intergovernmental aid and fees for service, increased in 2007 from 2006 by approximately \$18,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$550,000 in tax (some of which could only be used for certain programs).

Changes in Cash Basis Net Assets of Business Type Activities  
Year Ended June 30,

|   | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| Receipts and transfers:                 |                     |                     |
| Program receipts:                       |                     |                     |
| Charges for service:                    |                     |                     |
| Electric utility                        | \$ 1,118,175        | \$ 1,057,100        |
| Akron Care Center                       | 1,870,250           | 1,654,253           |
| Water utility                           | 153,067             | 150,313             |
| Sewer utility                           | 104,758             | 108,288             |
| Utility deposits                        | 4,498               | 2,850               |
| Operating grant and contributions       | 24,447              | 48,611              |
| General receipts:                       |                     |                     |
| Unrestricted interest on investments    | <u>22,472</u>       | <u>19,833</u>       |
| Total receipts                          | <u>\$ 3,297,667</u> | <u>\$ 3,041,248</u> |
| Disbursements and transfers:            |                     |                     |
| Electric utility                        | \$ 946,732          | \$ 836,066          |
| Akron Care Center                       | 1,865,750           | 1,693,361           |
| Electric project                        | 89,585              | 92,840              |
| Water utility                           | 107,093             | 144,172             |
| Sewer utility                           | 55,806              | 55,939              |
| Utility deposits                        | 3,061               | 2,672               |
| Transfers                               | <u>206,716</u>      | <u>224,657</u>      |
| Total disbursements and transfers       | <u>\$ 3,274,743</u> | <u>\$ 3,049,707</u> |
| Increase (decrease) in cash balance     | \$ 22,924           | \$ (8,459)          |
| Cash basis net assets beginning of year | <u>463,776</u>      | <u>472,235</u>      |
| Cash basis net assets end of year       | <u>\$ 486,700</u>   | <u>\$ 463,776</u>   |

Total business type activities receipts for the fiscal year were \$3,297,667 compared to \$3,041,248 last year. This net increase of approximately \$256,000 was due primarily to an increase of approximately \$61,000 in electric utility and an increase of approximately \$216,000 in Akron Care Center. Total disbursements and transfers for the fiscal year increased by approximately 7 percent to a total of \$3,274,743. This resulted in an increase in the cash balance of \$22,924.

### **Individual Major Governmental Fund Analysis**

As City of Akron completed the year, its governmental funds reported a combined fund balance of \$221,463, a decrease of \$165,075 from last year's total of \$386,538. 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 \$21,151 from the prior year to \$107,621. The increase is due to transfers from Road Use Tax and utilities.
- The Urban Renewal Tax Increment Fund cash balance was \$6,024 at June 30, 2007, a decrease of \$163,218 from the previous year. The decrease is due to internal loans for construction projects.
- The Road Use Tax Fund cash balance was \$24,799 at June 30, 2007, a decrease of \$22,148 from the previous year. The decrease is due to an increase in spending for construction projects.

### **Individual Major Business Type Fund Analysis**

- The Electric Utility cash balance decreased by \$14,144 to \$199,550, due primarily to an increase in wages, benefits and insurance costs.
- The Water Utility cash balance increased by \$37,846 to \$95,192, due primarily to less transfers to the General Fund.
- The Sewer Utility cash balance decreased by \$6,240 to \$103,040, due primarily to funds used for vehicle replacement.

### **Budgetary Highlights**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 30, 2007 and resulted in an increase in operating revenues and an increase in certain City department disbursements.

### **Debt Administration**

At June 30, 2007, the City had approximately \$1,375,098 in bonds and other long-term debt, compared to \$1,576,023 last year, as shown below.

Outstanding Debt at Year-End  
June 30,

|                          | <u>2007</u>         | <u>2006</u>         |
|--------------------------|---------------------|---------------------|
| General obligation bonds | \$ 616,092          | \$ 688,875          |
| Revenue notes            | 325,000             | 395,000             |
| Bank notes               | <u>434,006</u>      | <u>492,148</u>      |
| Total                    | <u>\$ 1,375,098</u> | <u>\$ 1,576,023</u> |

Debt decreased as a result of \$200,925 of debt service principal payments made during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$616,092 is below its constitutional debt limit of \$2,750,282.

**Economic Factors and Next Year's Budgets and Rates**

City of Akron's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the state of the economy.

The Akron Electric Utility has sustained increased electric rates during the current year. The City reviews the rates on an annual basis and implements an increase if deemed necessary.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget remained steady at \$4.9 million. The other financing sources increased \$700,000 due to the issuance of the general obligation note. The City expects to increase the amount of capital disbursements during 2008 for the completion of Davis Blvd., Country Club and 7th Street Drainage capital project funds. Therefore, budgeted capital project disbursements increased by approximately \$324,000. The City has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$300,000, largely due to loan proceeds that will be used to fund the Low-Moderate Income requirements related to tax increment financing.

**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 Mindee Weinschenk, City Clerk, 220 Reed Street, Akron, Iowa 51001.

# **BASIC FINANCIAL STATEMENTS**

**City of Akron**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2007**

| Functions/Programs                 | Program Receipts    |                      |   | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets |                         |                          |                     |
|------------------------------------|---------------------|----------------------|---|---|-------------------------|--------------------------|---------------------|
|                                    | Disbursements       | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions                                  | Governmental Activities | Business-Type Activities | Total               |
| <b>Governmental Activities:</b>    |                     |                      |   |   |                         |                          |                     |
| General government                 | \$ 120,134          | \$ 9,738             | \$ -  | \$ -  | \$ (110,396)            | \$ -                     | \$ (110,396)        |
| Public safety                      | 278,252             | 53,544               | 5,819   | 15,050  | (203,839)               | -                        | (203,839)           |
| Public works                       | 328,074             | 131,251              | 125,987   | -   | (70,836)                | -                        | (70,836)            |
| Health and social services         | 21,390              | -                    | -   | -   | (21,390)                | -                        | (21,390)            |
| Culture and recreation             | 243,324             | 33,916               | 17,772  | 11,260  | (180,376)               | -                        | (180,376)           |
| Community and economic development | 148,049             | -                    | 80,612  | -   | (67,437)                | -                        | (67,437)            |
| Debt service                       | 105,855             | -                    | -   | -   | (105,855)               | -                        | (105,855)           |
| Capital projects                   | 270,154             | -                    | -   | -   | (270,154)               | -                        | (270,154)           |
| Total governmental activities      | 1,515,232           | 228,449              | 230,190   | 26,310  | (1,030,283)             | -                        | (1,030,283)         |
| <b>Business-Type Activities:</b>   |                     |                      |   |   |                         |                          |                     |
| Water                              | 107,093             | 153,067              | -   | -   | -                       | 45,974                   | 45,974              |
| Sewer                              | 55,806              | 104,758              | -   | -   | -                       | 48,952                   | 48,952              |
| Electric                           | 946,732             | 1,118,175            | -   | -   | -                       | 171,443                  | 171,443             |
| Akron Care Center                  | 1,865,750           | 1,870,250            | 24,447  | -   | -                       | 28,947                   | 28,947              |
| Electric project                   | 89,585              | -                    | -   | -   | -                       | (89,585)                 | (89,585)            |
| Utility deposits                   | 3,061               | 4,498                | -   | -   | -                       | 1,437                    | 1,437               |
| Total business-type activities     | 3,068,027           | 3,250,748            | 24,447  | -   | -                       | 207,168                  | 207,168             |
| <b>Total</b>                       | <b>\$ 4,583,259</b> | <b>\$ 3,479,197</b>  | <b>\$ 254,637</b>                                       | <b>\$ 26,310</b>  | <b>\$ (1,030,283)</b>   | <b>\$ 207,168</b>        | <b>\$ (823,115)</b> |

**General receipts:**

|  |            |            |            |
|--|------------|------------|------------|
| Taxes:   |            |            |            |
| Property taxes, levied for general purposes                  | \$ 276,848 | \$ -       | \$ 276,848 |
| Property taxes, levied for employee benefits                 | 68,619     | -          | 68,619     |
| Property taxes, levied for tax increment financing           | 48,477     | -          | 48,477     |
| Property taxes, levied for debt service                      | 7          | -          | 7          |
| Local option sales tax                                       | 132,245    | -          | 132,245    |
| Franchise tax  | 24,479     | -          | 24,479     |
| Grants and contributions not restricted to specific programs | 8,743      | -          | 8,743      |
| Unrestricted investment earnings                             | 2,910      | 22,472     | 25,382     |
| Miscellaneous  | 9,449      | -          | 9,449      |
| Sale of assets   | 86,715     | -          | 86,715     |
| Transfers  | 206,716    | (206,716)  | -          |
| Total general receipts and transfers                         | 865,208    | (184,244)  | 680,964    |
| Change in cash basis net assets                              | (165,075)  | 22,924     | (142,151)  |
| Cash basis net assets beginning of year                      | 386,538    | 463,776    | 850,314    |
| Cash basis net assets end of year                            | \$ 221,463 | \$ 486,700 | \$ 708,163 |

**CASH BASIS NET ASSETS:**

|                             |            |            |            |
|-----------------------------|------------|------------|------------|
| Restricted:                 |            |            |            |
| Streets                     | \$ 24,799  | \$ -       | \$ 24,799  |
| Local option sales tax      | 56,131     | -          | 56,131     |
| Urban renewal purposes      | 6,024      | -          | 6,024      |
| Other purposes              | 26,888     | -          | 26,888     |
| Unrestricted                | 107,621    | 486,700    | 594,321    |
| Total cash basis net assets | \$ 221,463 | \$ 486,700 | \$ 708,163 |

**City of Akron**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2007**

|  | General Fund      | Special Revenue        | Capital Projects    | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------------|---------------------|--------------------------|--------------------------|
|  |                   | Local Option Sales Tax | Akron Business Park |                          |                          |
| <b>RECEIPTS:</b>   |                   |                        |                     |                          |                          |
| Property taxes   | \$ 276,848        | \$ -                   | \$ -                | \$ 117,103               | \$ 393,951               |
| Sales and miscellaneous taxes                              | 24,479            | 132,245                | -                   | -                        | 156,724                  |
| Licenses and permits                                       | 3,356             | -                      | -                   | -                        | 3,356                    |
| Intergovernmental  | 117,959           | -                      | -                   | 126,500                  | 244,459                  |
| Charges for services                                       | 215,535           | -                      | -                   | 1,883                    | 217,418                  |
| Investment earnings  | 11,645            | -                      | -                   | 1,957                    | 13,602                   |
| Miscellaneous  | 27,209            | -                      | -                   | 7                        | 27,216                   |
| Total receipts   | <u>677,031</u>    | <u>132,245</u>         | <u>-</u>            | <u>247,450</u>           | <u>1,056,726</u>         |
| <b>DISBURSEMENTS:</b>                                      |                   |                        |                     |                          |                          |
| Current:   |                   |                        |                     |                          |                          |
| General government   | 108,044           | -                      | -                   | 12,090                   | 120,134                  |
| Public safety  | 248,478           | -                      | -                   | 29,774                   | 278,252                  |
| Public works   | 289,193           | -                      | -                   | 38,881                   | 328,074                  |
| Health and social services                                 | 21,390            | -                      | -                   | -                        | 21,390                   |
| Culture and recreation                                     | 219,670           | -                      | -                   | 23,654                   | 243,324                  |
| Community and economic development                         | 148,049           | -                      | -                   | -                        | 148,049                  |
| Debt service   | -                 | -                      | -                   | 105,855                  | 105,855                  |
| Capital outlay   | -                 | -                      | 237,705             | 32,449                   | 270,154                  |
| Total disbursements  | <u>1,034,824</u>  | <u>-</u>               | <u>237,705</u>      | <u>242,703</u>           | <u>1,515,232</u>         |
| Excess (deficiency) of receipts over (under) disbursements | <u>(357,793)</u>  | <u>132,245</u>         | <u>(237,705)</u>    | <u>4,747</u>             | <u>(458,506)</u>         |
| <b>OTHER FINANCING SOURCES (USES):</b>                     |                   |                        |                     |                          |                          |
| Sale of assets   | 86,715            | -                      | -                   | -                        | 86,715                   |
| Transfers in   | 292,229           | 25,000                 | 237,536             | 427,716                  | 982,481                  |
| Transfers out  | -                 | (153,794)              | -                   | (621,971)                | (775,765)                |
| Total other financing sources and (uses)                   | <u>378,944</u>    | <u>(128,794)</u>       | <u>237,536</u>      | <u>(194,255)</u>         | <u>293,431</u>           |
| Net change in cash balances                                | 21,151            | 3,451                  | (169)               | (189,508)                | (165,075)                |
| Cash balance beginning of year                             | 86,470            | 52,680                 | 169                 | 247,219                  | 386,538                  |
| Cash balance end of year                                   | <u>\$ 107,621</u> | <u>\$ 56,131</u>       | <u>\$ -</u>         | <u>\$ 57,711</u>         | <u>\$ 221,463</u>        |
| <b>CASH BASIS FUND BALANCES:</b>                           |                   |                        |                     |                          |                          |
| Unreserved:  |                   |                        |                     |                          |                          |
| General fund   | \$ 107,621        | \$ -                   | \$ -                | \$ -                     | \$ 107,621               |
| Special revenue funds                                      | -                 | 56,131                 | -                   | 55,660                   | 111,791                  |
| Capital projects funds                                     | -                 | -                      | -                   | 2,051                    | 2,051                    |
| Debt service funds   | -                 | -                      | -                   | -                        | -                        |
| Total cash basis fund balances                             | <u>\$ 107,621</u> | <u>\$ 56,131</u>       | <u>\$ -</u>         | <u>\$ 57,711</u>         | <u>\$ 221,463</u>        |

**City of Akron**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2007**

|   | <b>Enterprise Funds</b> |                   |                   |                          |                               | <b>Total</b>      |
|---|-------------------------|-------------------|-------------------|--------------------------|-------------------------------|-------------------|
|   | <b>Water</b>            | <b>Sewer</b>      | <b>Electric</b>   | <b>Akron Care Center</b> | <b>Other Enterprise Funds</b> |                   |
| <b>RECEIPTS:</b>  |                         |                   |                   |                          |                               |                   |
| Charges for services  | \$ 153,067              | \$ 104,758        | \$ 1,118,175      | \$ 1,870,250             | \$ -                          | \$ 3,246,250      |
| Miscellaneous   | -                       | -                 | -                 | -                        | 4,498                         | 4,498             |
| Total operating receipts  | <u>153,067</u>          | <u>104,758</u>    | <u>1,118,175</u>  | <u>1,870,250</u>         | <u>4,498</u>                  | <u>3,250,748</u>  |
| <b>OPERATING DISBURSEMENTS:</b>   |                         |                   |                   |                          |                               |                   |
| Personal services   | 69,953                  | 33,415            | 182,566           | 1,349,126                | -                             | 1,635,060         |
| Contractual services  | -                       | -                 | -                 | 147,240                  | -                             | 147,240           |
| Utilities   | -                       | -                 | -                 | 61,528                   | -                             | 61,528            |
| Repairs and maintenance   | -                       | -                 | -                 | 43,027                   | -                             | 43,027            |
| Other supplies and expenses   | 37,140                  | 19,859            | 763,716           | 160,519                  | 3,061                         | 984,295           |
| Capital outlay  | -                       | 2,532             | 450               | 30,846                   | -                             | 33,828            |
| Total operating disbursements   | <u>107,093</u>          | <u>55,806</u>     | <u>946,732</u>    | <u>1,792,286</u>         | <u>3,061</u>                  | <u>2,904,978</u>  |
| Excess of operating receipts over operating disbursements                   | <u>45,974</u>           | <u>48,952</u>     | <u>171,443</u>    | <u>77,964</u>            | <u>1,437</u>                  | <u>345,770</u>    |
| <b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>                              |                         |                   |                   |                          |                               |                   |
| Interest and investment revenue   | 4,477                   | 6,407             | 11,510            | 78                       | -                             | 22,472            |
| Operating grants and contributions  | -                       | -                 | -                 | 24,447                   | -                             | 24,447            |
| Debt service:   |                         |                   |                   |                          |                               |                   |
| Principal   | -                       | -                 | -                 | (54,493)                 | (70,000)                      | (124,493)         |
| Interest  | -                       | -                 | -                 | (18,971)                 | (19,585)                      | (38,556)          |
| Total non-operating receipts (disbursements)                                | <u>4,477</u>            | <u>6,407</u>      | <u>11,510</u>     | <u>(48,939)</u>          | <u>(89,585)</u>               | <u>(116,130)</u>  |
| Excess (deficiency) of receipts over (under) disbursements before transfers | 50,451                  | 55,359            | 182,953           | 29,025                   | (88,148)                      | 229,640           |
| Transfers in  | -                       | 22,416            | 5,000             | -                        | 89,585                        | 117,001           |
| Transfers out   | (12,605)                | (84,015)          | (202,097)         | (25,000)                 | -                             | (323,717)         |
| Net change in cash balances   | 37,846                  | (6,240)           | (14,144)          | 4,025                    | 1,437                         | 22,924            |
| Cash balance beginning of year  | 57,346                  | 109,280           | 213,694           | 73,698                   | 9,758                         | 463,776           |
| Cash balance end of year  | <u>\$ 95,192</u>        | <u>\$ 103,040</u> | <u>\$ 199,550</u> | <u>\$ 77,723</u>         | <u>\$ 11,195</u>              | <u>\$ 486,700</u> |
| <b>CASH BASIS FUND BALANCES:</b>  |                         |                   |                   |                          |                               |                   |
| Unreserved  | <u>\$ 95,192</u>        | <u>\$ 103,040</u> | <u>\$ 199,550</u> | <u>\$ 77,723</u>         | <u>\$ 11,195</u>              | <u>\$ 486,700</u> |

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Akron, Iowa, is a political subdivision of the State of Iowa located in Plymouth County. It was first incorporated in 1882 and operates under the Home Rule provision of the Constitution of Iowa. The City operates under the mayor-council form of government with the mayor and council members elected on a nonpartisan 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. The City also provides water, sewer, and electric utilities for its citizens.

Reporting Entity - For financial reporting purposes, the City of Akron, Iowa, 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.

These financial statements present the City of Akron, Iowa (the primary government), and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from the component unit's administrative offices.

Blended Component Unit - The Akron City Convalescent Care Center (Care Center) is an administrative agency of the City established under Section 392 of the Code of Iowa. The Care Center's relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Care Center is governed by an elected board of trustees.

The City includes the Care Center in its adopted cash basis budget.

The Care Center purchases its electricity, water, and sewer and garbage services from the City. Total Utility purchases were \$28,138 for the year ended June 30, 2007.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Care Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The Care Center's financial information, as presented in these financial statements, has been adjusted to reflect financial information on the basis of cash receipts and cash disbursements. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued. The audited financial statements are available at the Care Center's office.

Jointly Governed Organizations - The City also participates in 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: Community Education Program, Rural Fire Association and E-911 Board.

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

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

*Restricted net assets* result when constraints placed on net assets 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.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 and proprietary funds are aggregated and reported as nonmajor funds.

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

*Reserved fund balance* consists of the portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

*Unreserved fund balance* is composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represents tentative plans for future use of financial resources.

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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for receipt of the City's share of the one percent local option sales tax.

Capital Projects:

The Akron Business Park Fund is used to account for infrastructure costs.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

The City reports the following major proprietary funds:

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

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

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

The Akron Care Center Fund accounts for the blended component unit described above.

Measurement Focus and 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.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements general 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.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation and community and economic development functions.

**CASH AND POOLED INVESTMENTS:**

The City's deposits in banks at June 30, 2007 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.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

**CASH AND POOLED INVESTMENTS (CONTINUED):**

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. During the year ended June 30, 2007, the City held no investments.

**BONDS AND NOTES PAYABLE:**

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

| Year Ended<br>June 30, | Total General Obligation |                   | Revenue Notes     |                  |
|------------------------|--------------------------|-------------------|-------------------|------------------|
|                        | Principal                | Interest          | Principal         | Interest         |
| 2008                   | \$ 74,054                | \$ 29,140         | \$ 75,000         | \$ 15,895        |
| 2009                   | 80,464                   | 25,457            | 80,000            | 12,295           |
| 2010                   | 81,943                   | 21,428            | 85,000            | 8,415            |
| 2011                   | 33,493                   | 17,314            | 85,000            | 4,250            |
| 2012                   | 35,120                   | 13,050            | -                 | -                |
| 2013-2017              | 202,891                  | 51,147            | -                 | -                |
| 2018-2020              | 108,127                  | 6,100             | -                 | -                |
| <b>Total</b>           | <b>\$ 616,092</b>        | <b>\$ 163,636</b> | <b>\$ 325,000</b> | <b>\$ 40,855</b> |

| Year Ended<br>June 30, | Bank Note Payable |                  | Total               |                   |
|------------------------|-------------------|------------------|---------------------|-------------------|
|                        | Principal         | Interest         | Principal           | Interest          |
| 2008                   | \$ 59,874         | \$ 13,590        | \$ 208,928          | \$ 58,625         |
| 2009                   | 61,880            | 11,584           | 222,344             | 49,336            |
| 2010                   | 63,953            | 9,511            | 230,896             | 39,354            |
| 2011                   | 66,096            | 7,368            | 184,589             | 28,932            |
| 2012                   | 68,310            | 5,153            | 103,430             | 18,203            |
| 2013-2017              | 113,893           | 3,465            | 316,784             | 54,612            |
| 2018-2020              | -                 | -                | 108,127             | 6,100             |
| <b>Total</b>           | <b>\$ 434,006</b> | <b>\$ 50,671</b> | <b>\$ 1,375,098</b> | <b>\$ 255,162</b> |

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

**BONDS AND NOTES PAYABLE (CONTINUED):**

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

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

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient transfers shall be made to a separate electric revenue note sinking account, (Electric Project Fund) for the purpose of making the note principal and interest payments when due.

The City has a bank note payable with an original principal of \$625,000. The note financed the construction of the Village North Apartment Complex, an 8-unit assisted living facility completed in December 2003. Interest on the note is 3.5 percent per annum. The note is payable in 120 equal monthly installments of \$6,122, including interest at 3.5 percent. The note shall be payable solely and only out of the net revenue of the Care Center and shall be a first lien on the future net revenues of the Care Center.

**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 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll, except for police employees, in which case the percentages are 6.16 percent and 9.12 percent, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$85,982, \$77,440, and \$79,284, respectively, equal to the required contribution for each year.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

**COMPENSATED ABSENCES:**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2007 was \$7,004 for the primary government and \$80,443 for the Care Center. This liability has been computed based on rates of pay as of June 30, 2007.

**JOINT VENTURE:**

Effective October 1, 2005 the City became a member of the Northwest Iowa Area Solid Waste Agency (Agency). The City will pay the Agency a membership assessment of \$52,115 in five annual installments of \$10,423. The first installment was paid in November of 2006 leaving a balance of \$41,692. As stated in the intergovernmental agreement, the City is responsible for its pro-rata share of all operating expenses, land acquisition and bonds or other encumbrances as determined by the Agency. The user fee for the year ended June 30, 2007 was \$15,601. Financial statements of the Agency are available from the Northwest Iowa Area Solid Waste Agency.

**INTERFUND TRANSFERS:**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

| <u>Transfer To</u>          | <u>Transfer From</u>        | <u>Amount</u>     |
|-----------------------------|-----------------------------|-------------------|
| General                     | Special Revenue:            |                   |
|                             | Local Option Sales Tax      | \$ 89,120         |
|                             | Road Use Tax                | 20,000            |
|                             | Urban Renewal Tax Increment | 79,277            |
|                             | Enterprise:                 |                   |
|                             | Water Utility               | 12,605            |
|                             | Sewer Utility               | 9,015             |
|                             | Electric Utility            | 82,212            |
|                             |                             | <u>\$ 292,229</u> |
| Road Use Tax                | Special Revenue:            |                   |
|                             | Urban Renewal Tax Increment | <u>\$ 63,832</u>  |
| Urban Renewal Tax Increment | Special Revenue:            |                   |
|                             | Road Use Tax                | \$ 130,000        |
|                             | Enterprise:                 |                   |
|                             | Sewer Utility               | 75,000            |
|                             | Electric Utility            | 30,300            |
|                             |                             | <u>\$ 235,300</u> |

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

INTERFUND TRANSFERS (CONTINUED):

| <u>Transfer To</u>     | <u>Transfer From</u>        | <u>Amount</u>       |
|------------------------|-----------------------------|---------------------|
| Debt Service           | Special Revenue:            |                     |
|                        | Local Option Sales Tax      | \$ 64,675           |
|                        | Urban Renewal Tax Increment | 41,170              |
|                        |                             | <u>\$ 105,845</u>   |
| Local Option Sales Tax | Enterprise:                 |                     |
|                        | Akron Care Center           | \$ 25,000           |
| Capital Projects:      | Special Revenue:            |                     |
| Davis Bldg             | Road Use Tax                | \$ 8,395            |
| Country Club           | Road Use Tax                | 7,172               |
| 7th St. Drainage       | Road Use Tax                | 7,172               |
| Akron Business Park    | Road Use Tax                | 2,236               |
|                        | Urban Renewal Tax Increment | 235,300             |
|                        |                             | <u>\$ 237,536</u>   |
|                        |                             | <u>\$ 260,275</u>   |
| Enterprise:            | Enterprise:                 |                     |
| Electric               | Urban Renewal Tax Increment | \$ 5,000            |
| Sewer                  | Urban Renewal Tax Increment | 22,416              |
| Electric bond          | Electric Utility            | 89,585              |
|                        |                             | <u>\$ 117,001</u>   |
|                        | Total                       | <u>\$ 1,099,482</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources and account for internal loan activity.

RELATED PARTY TRANSACTIONS:

The City had business transactions between the City and City officials totaling \$3,045 during the year ended June 30, 2007.

RISK MANAGEMENT:

The City of Akron, Iowa, and its component unit are 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 for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2007**

**RISK MANAGEMENT (CONTINUED):**

The Care Center carries professional liability (malpractice) insurance under an occurrence-basis policy.

The Care Center's workers' compensation insurance coverage is purchased from an association of Iowa long-term care providers. The program includes a minimum contribution to cover projected claims and administration costs as well as a potential maximum contribution level. If a member's actual claims for any policy year exceed the claim fund amount included in the minimum contribution, after adjustment for actual payrolls, the member is required to contribute the excess, up to the stated maximum contribution.

Losses for claims in excess of the minimum contributions to the claim fund are accrued when information provided by the Association indicates an assessment is probable and can be reasonably estimated. At June 30, 2007, there were no claims in excess of the minimum contributions to the claim fund.

**COMMITMENTS:**

The City has entered into a construction contract for the Davis Blvd., Country Club, and 7th Street Drainage projects totaling \$282,659. In the previous year the City entered into a \$34,500 elevated water storage tank painting project. Although the project was complete at June 30, 2007, the contract payment was submitted subsequent to year end.

**SUBSEQUENT EVENT:**

In October 2007 the City issued a \$700,000 general obligation corporate purpose note, bearing interest of 4.72 percent, requiring annual principal payments and maturing on June 1, 2017. The proceeds will be used for construction projects and to fund the low-moderate income requirements related to the tax increment financing.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Akron**  
**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, 2007**

|  | Governmental             | Proprietary              | Less Funds         | Net                      | Budgeted Amounts         |                          | Final to Net      |
|--|--------------------------|--------------------------|--------------------|--------------------------|--------------------------|--------------------------|-------------------|
|  | Funds                    | Funds                    | Not Required       |                          | Original                 | Final                    | Variance          |
|  | Actual                   | Actual                   | To Be<br>Budgeted  |                          |                          |                          |                   |
| <b>RECEIPTS:</b>   |                          |                          |                    |                          |                          |                          |                   |
| Property tax   | \$ 393,951               | \$ -                     | \$ -               | \$ 393,951               | \$ 385,447               | \$ 390,252               | \$ 3,699          |
| Sales and miscellaneous taxes  | 156,724                  | -                        | -                  | 156,724                  | 124,327                  | 148,327                  | 8,397             |
| Licenses and permits   | 3,356                    | -                        | -                  | 3,356                    | 3,400                    | 3,700                    | (344)             |
| Intergovernmental  | 244,459                  | -                        | -                  | 244,459                  | 205,561                  | 327,780                  | (83,321)          |
| Charges for services   | 217,418                  | 3,246,250                | -                  | 3,463,668                | 3,254,422                | 3,279,422                | 184,246           |
| Miscellaneous  | <u>40,818</u>            | <u>51,417</u>            | <u>-</u>           | <u>92,235</u>            | <u>79,660</u>            | <u>107,375</u>           | <u>(15,140)</u>   |
| Total receipts   | <u>1,056,726</u>         | <u>3,297,667</u>         | <u>-</u>           | <u>4,354,393</u>         | <u>4,052,817</u>         | <u>4,256,856</u>         | <u>97,537</u>     |
| <b>DISBURSEMENTS:</b>  |                          |                          |                    |                          |                          |                          |                   |
| Public safety  | 278,252                  | -                        | -                  | 278,252                  | 230,283                  | 292,383                  | 14,131            |
| Public works   | 328,074                  | -                        | -                  | 328,074                  | 318,383                  | 442,413                  | 114,339           |
| Health and social services   | 21,390                   | -                        | -                  | 21,390                   | 25,550                   | 25,550                   | 4,160             |
| Culture and recreation   | 243,324                  | -                        | -                  | 243,324                  | 196,617                  | 222,117                  | (21,207)          |
| Community and economic development   | 148,049                  | -                        | -                  | 148,049                  | 39,500                   | 138,012                  | (10,037)          |
| General government   | 120,134                  | -                        | -                  | 120,134                  | 130,595                  | 130,595                  | 10,461            |
| Debt service   | 105,855                  | -                        | -                  | 105,855                  | 105,855                  | 105,855                  | -                 |
| Capital projects   | 270,154                  | -                        | -                  | 270,154                  | 200,000                  | 315,300                  | 45,146            |
| Business type activities   | <u>-</u>                 | <u>3,068,027</u>         | <u>-</u>           | <u>3,068,027</u>         | <u>3,062,071</u>         | <u>3,162,071</u>         | <u>94,044</u>     |
| Total disbursements  | <u>1,515,232</u>         | <u>3,068,027</u>         | <u>-</u>           | <u>4,583,259</u>         | <u>4,308,854</u>         | <u>4,834,296</u>         | <u>\$ 251,037</u> |
| <b>EXCESS (DEFICIENCY) OF RECEIPTS<br/>OVER (UNDER) DISBURSEMENTS</b>  | <b>(458,506)</b>         | <b>229,640</b>           | <b>-</b>           | <b>(228,866)</b>         | <b>(256,037)</b>         | <b>(577,440)</b>         |                   |
| <b>OTHER FINANCING SOURCES, NET</b>  | <b><u>293,431</u></b>    | <b><u>(206,716)</u></b>  | <b><u>-</u></b>    | <b><u>86,715</u></b>     | <b><u>240,000</u></b>    | <b><u>280,000</u></b>    |                   |
| <b>EXCESS (DEFICIENCY) OF RECEIPTS AND<br/>OTHER FINANCING SOURCES OVER<br/>(UNDER) DISBURSEMENTS AND<br/>OTHER FINANCING USES</b> | <b>(165,075)</b>         | <b>22,924</b>            | <b>-</b>           | <b>(142,151)</b>         | <b>(16,037)</b>          | <b>(297,440)</b>         |                   |
| <b>BALANCE, BEGINNING OF YEAR</b>  | <b><u>386,538</u></b>    | <b><u>463,776</u></b>    | <b><u>-</u></b>    | <b><u>850,314</u></b>    | <b><u>659,436</u></b>    | <b><u>659,436</u></b>    |                   |
| <b>BALANCE, END OF YEAR</b>  | <b>\$ <u>221,463</u></b> | <b>\$ <u>486,700</u></b> | <b>\$ <u>-</u></b> | <b>\$ <u>708,163</u></b> | <b>\$ <u>643,399</u></b> | <b>\$ <u>361,996</u></b> |                   |

**City of Akron**  
**Notes to Required Supplementary Information -**  
**Budgetary Reporting**  
**June 30, 2007**

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. 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 non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$204,039 and budgeted disbursements by \$525,442. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the culture and recreation and community and economic development functions.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Akron**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2007**

|   | Special Revenue      |                                 |              |                                | Capital Projects |            |              |                        | Total-Other<br>Governmental<br>Funds |              |
|---|----------------------|---------------------------------|--------------|--------------------------------|------------------|------------|--------------|------------------------|--------------------------------------|--------------|
|   | Employee<br>Benefits | Library<br>Improvement<br>Trust | Road Use Tax | Urban Renewal<br>Tax Increment | Storm Sewer      | Davis Blvd | Country Club | 7th Street<br>Drainage |                                      | Debt Service |
| <b>RECEIPTS:</b>  |                      |                                 |              |                                |                  |            |              |                        |                                      |              |
| Property taxes  | \$ 68,619            | \$ -                            | \$ -         | \$ 48,477                      | \$ -             | \$ -       | \$ -         | \$ -                   | \$ 7                                 | \$ 117,103   |
| Intergovernmental   | -                    | 2,400                           | 124,100      | -                              | -                | -          | -            | -                      | -                                    | 126,500      |
| Charges for services  | -                    | -                               | 1,883        | -                              | -                | -          | -            | -                      | -                                    | 1,883        |
| Investment earnings   | -                    | 70                              | 1,887        | -                              | -                | -          | -            | -                      | -                                    | 1,957        |
| Miscellaneous   | -                    | -                               | 7            | -                              | -                | -          | -            | -                      | -                                    | 7            |
| Total receipts  | 68,619               | 2,470                           | 127,877      | 48,477                         | -                | -          | -            | -                      | 7                                    | 247,450      |
| <b>DISBURSEMENTS:</b>   |                      |                                 |              |                                |                  |            |              |                        |                                      |              |
| Current:  |                      |                                 |              |                                |                  |            |              |                        |                                      |              |
| General government  | 12,090               | -                               | -            | -                              | -                | -          | -            | -                      | -                                    | 12,090       |
| Public safety   | 29,774               | -                               | -            | -                              | -                | -          | -            | -                      | -                                    | 29,774       |
| Public works  | -                    | -                               | 38,881       | -                              | -                | -          | -            | -                      | -                                    | 38,881       |
| Culture and recreation  | 21,345               | 2,309                           | -            | -                              | -                | -          | -            | -                      | -                                    | 23,654       |
| Debt service  | -                    | -                               | -            | -                              | -                | -          | -            | -                      | 105,855                              | 105,855      |
| Capital outlay  | -                    | -                               | -            | -                              | 9,710            | 8,395      | 7,172        | 7,172                  | -                                    | 32,449       |
| Total disbursements   | 63,209               | 2,309                           | 38,881       | -                              | 9,710            | 8,395      | 7,172        | 7,172                  | 105,855                              | 242,703      |
| Excess (deficiency) of receipts (under)<br>over disbursements | 5,410                | 161                             | 88,996       | 48,477                         | (9,710)          | (8,395)    | (7,172)      | (7,172)                | (105,848)                            | 4,747        |
| <b>OTHER FINANCING SOURCES (USES):</b>                        |                      |                                 |              |                                |                  |            |              |                        |                                      |              |
| Transfers in  | -                    | -                               | 63,832       | 235,300                        | -                | 8,395      | 7,172        | 7,172                  | 105,845                              | 427,716      |
| Transfers out   | -                    | -                               | (174,976)    | (446,995)                      | -                | -          | -            | -                      | -                                    | (621,971)    |
| Total other financing sources and (uses)                      | -                    | -                               | (111,144)    | (211,695)                      | -                | 8,395      | 7,172        | 7,172                  | 105,845                              | (194,255)    |
| Net change in cash balances                                   | 5,410                | 161                             | (22,148)     | (163,218)                      | (9,710)          | -          | -            | -                      | (3)                                  | (189,508)    |
| Cash balance beginning of year                                | 16,097               | 3,169                           | 46,947       | 169,242                        | 11,761           | -          | -            | -                      | 3                                    | 247,219      |
| Cash balance end of year                                      | \$ 21,507            | \$ 3,330                        | \$ 24,799    | \$ 6,024                       | \$ 2,051         | \$ -       | \$ -         | \$ -                   | \$ -                                 | \$ 57,711    |
| <b>CASH BASIS FUND BALANCES:</b>                              |                      |                                 |              |                                |                  |            |              |                        |                                      |              |
| Unreserved  |                      |                                 |              |                                |                  |            |              |                        |                                      |              |
| Special revenue funds   | \$ 21,507            | \$ 3,330                        | \$ 24,799    | \$ 6,024                       | \$ -             | \$ -       | \$ -         | \$ -                   | \$ -                                 | \$ 55,660    |
| Capital projects funds  | -                    | -                               | -            | -                              | 2,051            | -          | -            | -                      | -                                    | 2,051        |
| Debt service funds  | -                    | -                               | -            | -                              | -                | -          | -            | -                      | -                                    | -            |
| Total cash basis fund balances                                | \$ 21,507            | \$ 3,330                        | \$ 24,799    | \$ 6,024                       | \$ 2,051         | \$ -       | \$ -         | \$ -                   | \$ -                                 | \$ 57,711    |

**City of Akron**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Proprietary Funds**  
**As of and for the Year Ended June 30, 2007**

|   | <u>Electric Project</u> | <u>Utility Deposits</u> | <u>Total</u>     |
|---|-------------------------|-------------------------|------------------|
| <b>OPERATING RECEIPTS:</b>  |                         |                         |                  |
| Miscellaneous   | \$ -                    | \$ 4,498                | \$ 4,498         |
| Total operating receipts  | <u>-</u>                | <u>4,498</u>            | <u>4,498</u>     |
| <b>OPERATING DISBURSEMENTS:</b>   |                         |                         |                  |
| Other supplies and expenses   | -                       | 3,061                   | 3,061            |
| Total operating disbursements   | <u>-</u>                | <u>3,061</u>            | <u>3,061</u>     |
| Excess of operating receipts over operating disbursements                   | <u>-</u>                | <u>1,437</u>            | <u>1,437</u>     |
| <b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>                              |                         |                         |                  |
| Debt Service:   |                         |                         |                  |
| Principal   | (70,000)                | -                       | (70,000)         |
| Interest  | (19,585)                | -                       | (19,585)         |
| Total non-operating receipts (disbursements)                                | <u>(89,585)</u>         | <u>-</u>                | <u>(89,585)</u>  |
| Excess (deficiency) of receipts over (under) disbursements before transfers | <u>(89,585)</u>         | <u>1,437</u>            | <u>(88,148)</u>  |
| Transfers in  | <u>89,585</u>           | <u>-</u>                | <u>89,585</u>    |
| Net change in cash balances   | <u>-</u>                | <u>1,437</u>            | <u>1,437</u>     |
| Cash balance beginning of year  | <u>-</u>                | <u>9,758</u>            | <u>9,758</u>     |
| Cash balance end of year  | <u>\$ -</u>             | <u>\$ 11,195</u>        | <u>\$ 11,195</u> |
| <b>CASH BASIS FUND BALANCES:</b>  |                         |                         |                  |
| Unreserved  | <u>\$ -</u>             | <u>\$ 11,195</u>        | <u>\$ 11,195</u> |

**City of Akron  
Schedule of Indebtedness  
Year Ended June 30, 2007**

| Obligation                       | Date of Issue | Interest Rates | Amount Originally Issued | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid    | Interest Due and Unpaid |
|----------------------------------|---------------|----------------|--------------------------|---------------------------|--------------------|----------------------|---------------------|------------------|-------------------------|
| <b>General Obligation Notes:</b> |               |                |                          |                           |                    |                      |                     |                  |                         |
| Fire Station Project             | 10-08-03      | 4.75%          | \$ 550,000               | \$ 498,875                | \$ -               | \$ 27,783            | \$ 471,092          | \$ 23,024        | \$ -                    |
| Housing Development              | 12-01-97      | 4.3-5.15%      | 470,000                  | 190,000                   | -                  | 45,000               | 145,000             | 10,048           | -                       |
| <b>Total</b>                     |               |                |                          | <b>\$ 688,875</b>         | <b>\$ -</b>        | <b>\$ 72,783</b>     | <b>\$ 616,092</b>   | <b>\$ 33,072</b> | <b>\$ -</b>             |
| <b>Revenue Notes:</b>            |               |                |                          |                           |                    |                      |                     |                  |                         |
| Electric Project                 | 05-01-99      | 4.25-5.00%     | \$ 820,000               | \$ 395,000                | \$ -               | \$ 70,000            | \$ 325,000          | \$ 19,585        | \$ -                    |
| <b>Bank Note Payable:</b>        |               |                |                          |                           |                    |                      |                     |                  |                         |
| 8-Plex Assisted Living Project   | 06-10-03      | 3.30%          | \$ 625,000               | \$ 492,148                | \$ -               | \$ 58,142            | \$ 434,006          | \$ 15,322        | \$ -                    |

**City of Akron**  
**Bond and Note Maturities**  
**June 30, 2007**

| General Obligation Notes |  |                   |   |                   |                   |
|--------------------------|--|-------------------|---|-------------------|-------------------|
| Year Ending              | Fire Station<br>October 8, 2003                              |                   | Housing Development<br>December 1, 1997                           |                   | Total             |
|                          | Interest Rate  | Amount            | Interest Rates  | Amount            |                   |
| June 30,                 |  |                   |   |                   |                   |
| 2008                     | 4.75%  | \$ 29,054         | 5.05%   | \$ 45,000         | \$ 74,054         |
| 2009                     | 4.75%  | 30,464            | 5.10%   | 50,000            | 80,464            |
| 2010                     | 4.75%  | 31,943            | 5.15%   | 50,000            | 81,943            |
| 2011                     | 4.75%  | 33,493            | -   | -                 | 33,493            |
| 2012                     | 4.75%  | 35,120            | -   | -                 | 35,120            |
| 2013                     | 4.75%  | 36,825            | -   | -                 | 36,825            |
| 2014                     | 4.75%  | 38,613            | -   | -                 | 38,613            |
| 2015                     | 4.75%  | 40,487            | -   | -                 | 40,487            |
| 2016                     | 4.75%  | 42,453            | -   | -                 | 42,453            |
| 2017                     | 4.75%  | 44,513            | -   | -                 | 44,513            |
| 2018                     | 4.75%  | 46,675            | -   | -                 | 46,675            |
| 2019                     | 4.75%  | 48,941            | -   | -                 | 48,941            |
| 2020                     | 4.75%  | 12,511            | -   | -                 | 12,511            |
|                          |  | <u>\$ 471,092</u> |   | <u>\$ 145,000</u> | <u>\$ 616,092</u> |
|                          |  |                   |   |                   |                   |
| Year Ending              | Revenue Note<br>Electric Revenue Capital<br>Note May 1, 1999 |                   | Bank Note Payable<br>8-Plex Assisted Living<br>Note June 10, 2003 |                   |                   |
|                          | Interest Rates   | Amount            | Interest Rates  | Amount            |                   |
| June 30,                 |  |                   |   |                   |                   |
| 2008                     | 4.80%  | \$ 75,000         | 3.50%   | \$ 59,874         |                   |
| 2009                     | 4.85%  | 80,000            | 3.50%   | 61,880            |                   |
| 2010                     | 4.90%  | 85,000            | 3.50%   | 63,953            |                   |
| 2011                     | 5.00%  | 85,000            | 3.50%   | 66,096            |                   |
| 2012                     |  | -                 | 3.50%   | 68,310            |                   |
| 2013                     |  | -                 | 3.50%   | 70,599            |                   |
| 2014                     |  | -                 | 3.50%   | 43,294            |                   |
|                          |  | <u>\$ 325,000</u> |   | <u>\$ 434,006</u> |                   |

**City of Akron**  
**Schedule of Receipts by Source and Disbursements by Function**  
**All Governmental Funds**  
**For the Last Seven Years**

|                                     | <u>2007</u>         | <u>2006</u>         | <u>2005</u>         | <u>2004</u>         | <u>2003</u>         | <u>2002</u>       | <u>2001</u>       |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| <b>RECEIPTS:</b>                    |                     |                     |                     |                     |                     |                   |                   |
| Property tax                        | \$ 345,474          | \$ 303,104          | \$ 288,889          | \$ 266,448          | \$ 274,470          | \$ 281,329        | \$ 275,979        |
| Tax increment financing collections | 48,477              | 99,365              | 139,900             | 58,541              | 66,311              | 42,497            | 5,358             |
| Other city tax                      | 156,724             | 146,391             | 118,445             | 138,625             | 76,940              | 22,589            | -                 |
| Licenses and permits                | 3,356               | 3,851               | 3,943               | 3,173               | 3,322               | 2,550             | 2,694             |
| Use of money and property           | 13,602              | 7,871               | 8,478               | 5,043               | 53,702              | 19,693            | 43,159            |
| Intergovernmental                   | 244,459             | 227,890             | 146,842             | 420,861             | 218,060             | 176,097           | 166,938           |
| Charges for services                | 217,418             | 205,761             | 206,129             | 218,758             | 193,651             | 215,133           | 181,162           |
| Miscellaneous                       | <u>27,216</u>       | <u>51,017</u>       | <u>44,801</u>       | <u>45,698</u>       | <u>35,066</u>       | <u>42,089</u>     | <u>59,948</u>     |
| Total                               | <u>\$ 1,056,726</u> | <u>\$ 1,045,250</u> | <u>\$ 957,427</u>   | <u>\$ 1,157,147</u> | <u>\$ 921,522</u>   | <u>\$ 801,977</u> | <u>\$ 735,238</u> |
| <b>DISBURSEMENTS:</b>               |                     |                     |                     |                     |                     |                   |                   |
| Operating:                          |                     |                     |                     |                     |                     |                   |                   |
| Public safety                       | \$ 278,252          | \$ 319,839          | \$ 377,707          | \$ 204,469          | \$ 224,168          | \$ 172,517        | \$ 155,074        |
| Public works                        | 328,074             | 213,891             | 289,255             | 221,875             | 363,248             | 199,465           | 214,586           |
| Health and social services          | 21,390              | 20,471              | 38,492              | 27,523              | 7,466               | 9,088             | 8,709             |
| Culture and recreation              | 243,324             | 185,696             | 182,410             | 215,187             | 203,441             | 193,315           | 163,431           |
| Community and economic development  | 148,049             | 56,743              | 32,000              | 104,605             | -                   | -                 | -                 |
| General government                  | 120,134             | 128,807             | 123,579             | 117,622             | 111,495             | 102,995           | 94,625            |
| Debt service                        | 105,855             | 102,836             | 167,199             | 61,356              | 100,487             | 104,547           | 108,532           |
| Capital projects                    | <u>270,154</u>      | <u>244,085</u>      | <u>130,271</u>      | <u>833,315</u>      | <u>174,357</u>      | <u>23,328</u>     | <u>9,291</u>      |
| Total                               | <u>\$ 1,515,232</u> | <u>\$ 1,272,368</u> | <u>\$ 1,340,913</u> | <u>\$ 1,785,952</u> | <u>\$ 1,184,662</u> | <u>\$ 805,255</u> | <u>\$ 754,248</u> |



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**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 Akron, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Akron, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 29, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Akron's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Akron's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Akron's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item I-A-07 to be a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Akron's responses to findings identified in our audit are described in the accompanying schedule of findings and responses. While we have expressed our conclusions on the City's responses, we did not audit City of Akron's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Akron, Iowa and other parties to whom the City of Akron, Iowa may report including federal and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Sioux City, Iowa  
February 29, 2008

King, Reinsch, Prosser & Co., L.L.P.

**City of Akron**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements:

Material Weaknesses

I-A-07 Financial Statement Entries - During the year ended June 30, 2007 a transfer between funds was not recorded properly, which resulted in multiple funds being out of balance. In addition, we noted several disbursements relating to internal loans that were not properly recorded as transfers.

Recommendation - The funds should be reconciled monthly. Activity related to internal loans should be recorded as transfers. In addition, a spreadsheet should be maintained for all internal loans to document the balances.

Response - The above recommendation will be considered.

Conclusion - Response accepted.

Instances of Noncompliance

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

07-II-A Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the culture and recreation and general government 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 - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

07-II-B Questionable Disbursements - No disbursements were noted that did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Akron**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2007**

Part II: Other Findings Related to Required Statutory Reporting (Continued):

07-II-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u>             | <u>Transaction Description</u> | <u>Amount</u>   |
|--|--------------------------------|-----------------|
| Harold Higman, Mayor, Owner of<br>Higman Sand & Gravel | Rock and Labor                 | <u>\$ 3,045</u> |

07-II-E 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 ensure that the coverage is adequate for current operations.

07-II-F Council Minutes - 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.

Response - The minutes will be published as required.

Conclusion - Response accepted.

07-II-G Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy.

07-II-H Utility Rates - Per Chapter 388.6 of the Code of Iowa, a City utility may not provide use or service at a discriminatory rate, except to the City or its agencies. During our audit we noted the City is billing electric, sewer, garbage and landfill charges to churches at residential rates and water usage is not being billed.

Recommendation - The City should review Chapter 388.6 of the Code of Iowa to determine if the City is in compliance with the Code.

Response - Chapter 388.6 of the Code of Iowa will be reviewed for compliance.

Conclusion - Response accepted.