

CITY OF ACKLEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2012

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City of Ackley, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Daggs	Mayor	December 31, 2013
Dale Brass	Mayor Pro tem	December 31, 2013
Susan Ibeling	Council Member	December 31, 2013
Keith DeVries	Council Member	December 31, 2015
Joyce Geiken*	Council Member	December 31, 2013
Dan Scallon	Council Member	December 31, 2013
Arlene Thuente	Council Member	December 31, 2015
Dale Brass**	Council Member	December 31, 2013
Michael Nuss	City Administrator	Indefinite
Cyndee Roskens	City Clerk	December 31, 2012
Teri Elmore	Deputy City Clerk	Indefinite
Mike Smith	Attorney	December 31, 2012

*Resigned August 15, 2011

**Appointed

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Ackley's management. My responsibility is to express opinions on these financial statements based on my audit.

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

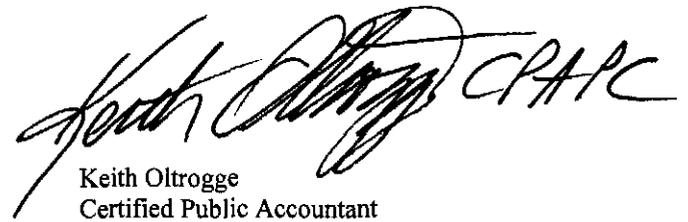
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Ackley as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 8, 2013 on my consideration of the City of Ackley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the two years ended June 30, 2011, June 30, 2008 and 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. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 19 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.



Keith Oltrogge
Certified Public Accountant

January 8, 2013

City of Ackley

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

The City of Ackley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 19.0% or approximately \$384,000 from fiscal 2011 to fiscal 2012. Property tax and capital grants, contributions and restricted interest revenues increased approximately \$41,000 and \$516,000 respectively.
- Disbursements of the City's governmental activities increased 12.0%, or approximately \$250,000, in fiscal 2012 from fiscal 2011. Capital projects disbursements increased approximately \$444,000.
- The City's total cash basis net assets increased 13.7%, or approximately \$208,500 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$84,900 and the assets of the business type activities increased by approximately \$123,600.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other 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 non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 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 water and sewer funds considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased from a year ago, from \$1,401,285 to \$1,486,209. 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	
	2012	2011
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 360,377	\$ 429,276
Operating grants, contributions and restricted interest	173,463	200,474
Capital grants, contributions and restricted interest	881,635	365,301
General receipts:		
Property tax	716,565	675,461
Local option sales tax	147,192	168,597
Unrestricted investment earnings	71,749	75,761
Other general receipts	61,333	113,110
Total receipts	<u>\$ 2,412,314</u>	<u>\$ 2,027,980</u>
Disbursements:		
Public safety	\$ 455,858	\$ 643,121
Public works	342,411	357,926
Health and social services	893	5,292
Culture and recreation	194,108	201,070
Community and economic development	7,104	16,919
General government	134,543	106,963
Debt service	182,105	180,005
Capital projects	1,010,368	566,197
Total disbursements and transfers	<u>\$ 2,327,390</u>	<u>\$ 2,077,493</u>
Increase (decrease) in cash basis net assets	<u>\$ 84,924</u>	<u>\$ -49,513</u>
Cash basis net assets beginning of year	\$ 1,401,285	\$ 1,480,037
Prior period adjustment	-	-29,239
Adjusted cash basis net assets beginning of year	<u>\$ 1,401,285</u>	<u>\$ 1,450,798</u>
Cash basis net assets end of year	<u>\$ 1,486,209</u>	<u>\$ 1,401,285</u>

The City’s total receipts for governmental activities, increased by 19.0%, or \$384,334. The total cost of all programs and services increased by approximately \$249,897, or 12.0 %, with no new programs added this year. The increase in receipts was primarily due to the CBDG grant receipts of \$881,635.

The cost of all governmental activities this year was \$2,327,390 compared to \$2,077,493 last year. However, as shown in the Statement of Activities and Net Assets on Page 10, the amount taxpayers ultimately financed for these activities was only \$991,915 because some of the cost was paid by those directly benefited from these programs (\$360,377) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$173,463), and capital grants, contributions and restricted interest of \$881,635. Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2012 from approximately \$202,800 to approximately \$2,412,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$997,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 314,419	\$ 322,170
Sewer utility	275,867	269,794
Storm sewer utility	56,445	95,306
Other	2,700	1,345
General receipts:		
Unrestricted interest on investments	-	-
Miscellaneous	29,621	23,927
Total receipts	\$ 679,052	\$ 712,542
Disbursements and transfers:		
Water	\$ 190,093	\$ 294,221
Sewer Utility	329,835	373,432
Storm sewer utility	33,013	148,454
Other	1,636	1,251
Total disbursements	\$ 555,447	\$ 817,358
Increase (decrease) in cash balance	\$ 123,605	\$ -104,816
Cash basis net assets beginning of year	\$ 116,141	\$ 191,718
Prior period adjustment	-	29,239
Adjusted cash basis net assets, beginning of year	\$ 116,141	\$ 220,957
Cash basis net assets end of year	\$ 239,746	\$ 116,141

Total business type activities receipts for the fiscal year were \$679,052 compared to \$712,542 last year. This decrease was due primarily to decreased receipts in charges for service. The cash balance increased by approximately \$116,100 from the prior year. Total disbursements for the fiscal year decreased by 32% or approximately \$261,911 due to the decrease in Sewer Utility expenditures for the CBGB match requirements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ackley completed the year, its governmental funds reported a combined fund balance of \$1,486,209, an increase of more than \$84,900 above last year's total of \$1,401,285. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$5,157 from the prior year to -\$239,311, due to the decrease in charges for service revenue.
- The Road Use Tax Fund cash balance decreased by -\$80,686 to -\$104,253 during the fiscal year. This decrease was attributable to expenditures exceeding revenues.

- The Capital Reserve Endowment Fund cash balance remained unchanged during the year ended June 30, 2012.
- The Debt Service Fund cash balance increased by \$21,532 to \$5,1274 during the fiscal year.
- The Capital Projects Funds cash balance decreased by \$13,434 to \$467,823 during the year ended June 30, 2012. The decrease was due to expenditures exceeding revenues.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$142,335 to -\$63,413 due to a decrease in expenditures.
- The Water Improvement Reserve cash balance remained the same at \$109,373 during the fiscal year. No activity took place during the year.
- The Sewer Utility Fund cash balance decreased by \$53,968 to \$18,991 due to increased service costs.
- The Storm Sewer Utility Fund cash balance increased by \$34,174 to \$27,732 due to a decrease in expenditures.

BUDGETARY HIGHLIGHTS

The City’s receipts were \$770,068 more than budgeted. This was primarily due to the City receiving more from intergovernmental resources than anticipated.

Total disbursements were \$704,738 more than the budget. This was primarily due to the expenditures for sanitary sewer improvements.

The City exceeded the amounts budgeted in the culture and recreation, general government, debt service, and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$825,000 in bonds and other long-term debt, compared to \$995,000 in 2011, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2012	2011
General obligation notes	\$ 695	\$ 850
Revenue notes	130	145
Total	\$ 825	\$ 995

Debt decreased by 7.1% due to payments made.

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City’s debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation of \$875,000 is significantly below its constitutional debt limit of approximately \$2.8 million. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Ackley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cyndee Roskens, City Clerk, City of Ackley.

Basic Financial Statements

City of Ackley, Iowa

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 455,858	\$ 139,547	\$ -	\$ -
Public works	342,411	169,863	150,718	-
Health and social services	893	-	-	-
Culture and recreation	194,108	50,967	22,745	-
Community and economic development	7,104	-	-	-
General government	134,543	-	-	-
Debt service	182,105	-	-	-
Capital projects	1,010,368	-	-	881,635
Total governmental activities	\$ 2,327,390	\$ 360,377	\$ 173,463	\$ 881,635
Business type activities:				
Water	\$ 190,963	\$ 314,419	\$ -	\$ -
Sewer utility	329,835	275,867	-	-
Storm sewer utility	33,013	39,031	17,414	-
Other	1,636	2,700	-	-
Total business type activities	\$ 555,447	\$ 632,017	\$ 17,414	\$ -
Total	\$ 2,882,837	\$ 992,394	\$ 190,877	\$ 881,635

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 Sale of assets
 Total general receipts

Change in cash basis net assets
 Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Nonexpendable:
 Cemetery perpetual care
 Expendable:
 Debt service
 Other purposes
 Unrestricted
 Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
\$ -316,311	\$ -	\$ -316,311
-21,830	-	-21,830
-893	-	-893
-120,396	-	-120,396
-7,104	-	-7,104
-134,543	-	-134,543
-182,105	-	-182,105
-128,733	-	-128,733
<u>\$ -911,915</u>	<u>\$ -</u>	<u>\$ -911,915</u>
\$ -	\$ 123,456	\$ 123,456
-	-53,968	-53,968
-	23,432	23,432
-	1,064	1,064
<u>\$ -</u>	<u>\$ 93,984</u>	<u>\$ 93,984</u>
<u>\$ -911,915</u>	<u>\$ 93,984</u>	<u>\$ -817,931</u>
\$ 402,562	\$ -	\$ 402,562
203,637	-	203,637
110,366	-	110,366
147,192	-	147,192
71,749	-	71,749
61,303	29,621	90,924
30	-	30
<u>\$ 996,839</u>	<u>\$ 29,621</u>	<u>\$ 1,026,460</u>
\$ 84,924	\$ 123,605	\$ 208,529
<u>\$ 1,401,285</u>	<u>\$ 116,141</u>	<u>\$ 1,517,426</u>
<u>\$ 1,486,209</u>	<u>\$ 239,746</u>	<u>\$ 1,725,955</u>
\$ 58,000	\$ -	\$ 58,000
51,274	-	51,274
1,616,246	-	1,616,246
-239,311	239,746	435
<u>\$ 1,486,209</u>	<u>\$ 239,746</u>	<u>\$ 1,725,955</u>

City of Ackley, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Capital Reserve Endowment	Fire Expendable Trust
Receipts:				
Property tax	\$ 278,377	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Use of money and property	92,620	3,000	-	8
Other city tax	46,291	-	-	-
Licenses and permits	3,406	-	-	-
Intergovernmental	53,127	150,718	-	-
Charges for service	290,413	-	-	-
Special assessments	-	-	-	-
Miscellaneous	52,377	1,325	-	-
Total receipts	\$ 816,611	\$ 155,043	\$ -	\$ 8
Disbursements:				
Operating:				
Public safety	\$ 455,858	\$ -	\$ -	\$ -
Public works	163,801	178,610	-	-
Health and social services	893	-	-	-
Culture and recreation	191,336	-	-	-
Community and economic development	3,021	-	-	-
General government	134,543	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	\$ 949,452	\$ 178,610	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ -132,841	\$ -23,567	\$ -	\$ 8
Other financing sources (uses):				
Operating transfers in (out)	\$ 127,684	\$ -	\$ -	\$ -
Net change in cash balances	\$ -5,157	\$ -23,567	\$ -	\$ 8
Cash balances beginning of year	\$ -234,154	\$ -80,686	\$ 915,325	\$ 156,496
Cash balances end of year	\$ -239,311	\$ -104,253	\$ 915,325	\$ 156,504
Cash Basis Fund Balances				
Nonspendable – Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Special Revenue	-	-104,253	915,325	156,504
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-239,311	-	-	-
Total cash basis fund balances	\$ -239,311	\$ -104,253	\$ 915,325	\$ 156,504

See notes to financial statements

Debt Service	Capital Projects			Non-major	Total
	Capital Project	CBDG			
\$ 197,423	\$ -	\$ -	\$ 110,245	\$ 586,045	
-	-	-	110,366	110,366	
-	-	-	52	95,680	
6,055	110,394	-	3,785	166,525	
-	-	-	-	3,406	
159	-	881,635	2,013	1,087,652	
-	-	-	-	290,413	
-	4,905	-	-	4,905	
-	-	-	13,620	67,322	
<u>\$ 203,637</u>	<u>\$ 115,299</u>	<u>\$ 881,635</u>	<u>\$ 240,081</u>	<u>\$ 2,412,314</u>	
\$ -	\$ -	\$ -	\$ -	\$ 455,858	
-	-	-	-	342,411	
-	-	-	-	893	
-	-	-	2,772	194,108	
-	-	-	4,083	7,104	
-	-	-	-	134,543	
182,105	-	-	-	182,105	
-	201,039	809,329	-	1,010,368	
<u>\$ 182,105</u>	<u>\$ 201,039</u>	<u>\$ 809,329</u>	<u>\$ 6,855</u>	<u>\$ 2,327,390</u>	
<u>\$ 21,532</u>	<u>\$ -85,740</u>	<u>\$ 72,306</u>	<u>\$ 233,226</u>	<u>\$ 84,924</u>	
\$ -	\$ -	\$ -	\$ -127,684	\$ -	
\$ 21,532	\$ -85,740	\$ 72,306	\$ 105,542	\$ 84,924	
\$ 29,742	\$ 553,563	\$ -72,306	\$ 133,305	\$ 1,401,285	
<u>\$ 51,274</u>	<u>\$ 467,823</u>	<u>\$ -</u>	<u>\$ 238,847</u>	<u>\$ 1,486,209</u>	
\$ -	\$ -	\$ -	\$ 58,000	\$ 58,000	
-	-	-	126,241	1,093,817	
51,274	-	-	-	51,274	
-	467,823	-	54,606	522,429	
-	-	-	-	-239,311	
<u>\$ 51,274</u>	<u>\$ 467,823</u>	<u>\$ -</u>	<u>\$ 238,847</u>	<u>\$ 1,486,209</u>	

City of Ackley, Iowa

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds**

As of and for the year ended June 30, 2012

	Enterprise Funds	
	Water	Water Improvement Reserve
Operating receipts:		
Intergovernmental	\$ -	\$ -
Charges for service	314,419	-
Miscellaneous	18,879	-
Total operating receipts	\$ 333,298	\$ -
Operating disbursements:		
Business type activities	\$ 190,963	\$ -
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 142,335	\$ -
Non-operating receipts (disbursements):		
Debt service	-	-
Net change in cash balances	\$ 142,335	\$ -
Cash balances beginning of year	\$ -78,922	\$ 109,373
Cash balances end of year	\$ 63,413	\$ 109,373
Cash Basis Fund Balances		
Unrestricted	\$ 63,413	\$ 109,373

See notes to financial statements.

Enterprise Funds

Sewer Utility	Storm Sewer Utility	Non-major	Total
\$ -	\$ 17,414	\$ -	\$ 17,414
275,867	39,031	2,700	632,017
-	10,742	-	29,621
\$ 275,867	\$ 67,187	\$ 2,700	\$ 679,052
\$ 307,780	\$ 33,013	\$ 1,636	\$ 533,392
\$ -31,913	\$ 34,174	\$ 1,064	\$ 145,660
-22,055	-	-	-22,055
\$ -53,968	\$ 34,174	\$ 1,064	\$ 123,605
\$ 72,959	\$ -6,442	\$ 19,173	\$ 116,141
\$ 18,991	\$ 27,732	\$ 20,237	\$ 239,746
\$ 18,991	\$ 27,732	\$ 20,237	\$ 239,746

City of Ackley, Iowa

Notes to Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ackley is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ackley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Ackley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary 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 non-fiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets result are subject to externally imposed stipulations which require them to be maintained permanently by the City, including City's Permanent Fund.

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for the road construction and maintenance.

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

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

The Capital Projects Fund accounts for monies received for capital projects and the related disbursements.

The City reports the following major proprietary funds:

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

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

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

C. Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation, general government, debt service, and capital projects functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTE 2 – CASH AND POOLED INVESTMENTS (continued)

At June 30, 2012, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
US Treasury bonds	\$915,348	\$1,178,839	May 2016

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

NOTE 3 – BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$155,000	\$22,618	\$15,000	\$6,182	\$170,000	\$28,800
2014	130,000	18,742	15,000	5,538	145,000	24,280
2015	135,000	14,843	20,000	4,870	155,000	19,713
2016	135,000	10,320	20,000	3,750	155,000	14,070
2017	140,000	5,400	20,000	3,000	160,000	8,400
2018	-	-	20,000	2,020	20,000	2,020
2019	-	-	20,000	1,020	20,000	1,020
Total	\$695,000	\$71,923	\$130,000	\$26,380	\$825,000	\$98,303

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

- a) At the option of the City, notes due on the Essential Corporate Purpose issue of June 15 and July 15, 2009, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2009, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.
- b) At the option of the City, notes due on the Essential Corporate Purpose issue of July 17, 2009, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2014, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving purpose notice.

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

- a) The bonds and notes will only be redeemed from the future earnings of the respective activities and bond/note holders hold a lien on the future earnings of the funds.
- b) At the option of the City, notes due on the Sewer Revenue Capital Loan Note issue of November 1, 2004 are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2013, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit 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 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salary except for police employees, in which case the percentages are 6.65% and 9.97%, respectively. Contribution requirements are established by state statute. The City’s contribution to IPERS for the year ended June 30, 2012 was \$28,575, equal to the required contribution for the year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$401.47 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$41,797.

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused 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 payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick Leave	<u>\$97,024</u>

This liability has been computed based on rates of pay at June 30, 2012.

NOTE 7 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits Levy	\$ 114,033
General	Ambulance Expenditure Trust	2,200
General	Tourism Foundation Trust	11,451
Total		<u>\$ 127,684</u>

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

NOTE 8 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$6,370 during the year ended June 30, 2012.

NOTE 9 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued \$435,000 of revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The bonds outstanding at June 30, 2012 were \$195,000.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – DEFICIT BALANCES

At June 30, 2012, the General Fund had a \$239,311 deficit balance. Special Revenue Funds – Road Use Tax, Urban Renewal and Save the Depot had deficit balances of \$104,253, \$15,236, and \$81,973 respectively at June 30, 2012. Capital Projects Funds – Daycare project had a \$229 deficit balance at June 30, 2012. The deficit balances were a result of project costs incurred prior to availability of funds. The deficits will be eliminated through tax collections and inter-fund transfers.

NOTE 12 – COMMITMENTS

The City of Ackley has entered into a 28E Agreement with Ackley, Geneva, Wellsburg, Steamboat Rock (AGWSR) Community Schools to provide for services and management of a child care facility serving residents of the Ackley area called the Cougar's Den Daycare. The City will provide the child care facility. AGWSR Community School will pay all of the financial obligations.

NOTE 13 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 8, 2013, which is the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ackley, Iowa

**Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year ended June 30, 2012

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Property tax	\$ 586,045	\$ -
Tax increment financing collections	110,366	-
Other city tax	166,525	-
Licenses and permits	3,406	-
Use of money and property	95,680	-
Intergovernmental	1,087,652	17,414
Charges for service	290,413	632,017
Special assessments	4,905	-
Miscellaneous	67,322	29,621
Total receipts	<u>\$ 2,412,314</u>	<u>\$ 679,052</u>
Disbursements:		
Public safety	\$ 455,858	\$ -
Public works	342,411	-
Health and social services	893	-
Culture and recreation	194,108	-
Community and economic development	7,104	-
General government	134,543	-
Debt service	182,105	22,055
Capital projects	1,010,368	-
Business type activities	-	533,392
Total disbursements	<u>\$ 2,327,390</u>	<u>\$ 555,447</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 84,924	\$ 123,605
Net other financing sources (uses)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 84,924	\$ 123,605
Balances beginning of year	<u>\$ 1,401,285</u>	<u>\$ 116,141</u>
Balances end of year	<u>\$ 1,486,209</u>	<u>\$ 239,746</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts	Final to Net Variance
\$ 586,045	\$ 588,242	\$ -2,197
110,366	110,864	-498
166,525	178,076	-11,551
3,406	3,450	-44
95,680	101,948	-6,268
1,105,066	294,721	810,345
922,430	962,797	-40,367
4,905	2,000	2,905
96,943	79,200	17,743
<u>\$ 3,091,366</u>	<u>\$ 2,321,298</u>	<u>\$ 770,068</u>
\$ 455,858	\$ 465,917	\$ 10,059
342,411	378,665	36,254
893	3,500	2,607
194,108	182,973	-11,135
7,104	18,640	11,536
134,543	120,843	-13,700
204,160	181,906	-22,254
1,010,368	203,115	-807,253
533,392	622,540	89,148
<u>\$ 2,882,837</u>	<u>\$ 2,178,099</u>	<u>\$ -704,738</u>
\$ 208,529	\$ 143,199	\$ 65,330
-	20,000	-20,000
\$ 208,529	\$ 163,199	\$ 45,330
\$ 1,517,426	\$ 1,273,377	\$ 244,049
<u>\$ 1,725,955</u>	<u>\$ 1,436,576</u>	<u>\$ 289,379</u>

City of Ackley, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the 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 ended June 30, 2012, disbursements exceeded the amount budgeted in the Culture and Recreation, General Government, Debt Service and Capital Projects functions.

Other Supplementary Information

City of Ackley, Iowa

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Non-major Governmental Funds**

Year ended June 30, 2012

	Special Revenue					
	Employee Benefits	Police Car Expendable Trust	Ambulance Expendable Trust	Health Insurance Trust	Urban Renewal	Library Board
Receipts:						
Property tax	\$ 110,245	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-	-	-
Use of money and property	-	-	28	-	-	12
Other city taxes	3,785	-	-	-	-	-
Intergovernmental	3	-	-	-	-	2,010
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	25	-	-	1,495
Total receipts	\$ 114,033	\$ -	\$ 53	\$ -	\$ -	\$ 3,517
Disbursements:						
Operating:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,772
Community and economic development	-	-	-	-	4,083	-
Total disbursements	\$ -	\$ -	\$ -	\$ -	\$ 4,083	\$ 2,772
Excess (deficiency) of receipts over (under) disbursements	\$ 114,033	\$ -	\$ 53	\$ -	\$ -4,083	\$ 745
Other financing uses:						
Operating transfers out	\$ -114,033	\$ -	\$ -2,200	\$ -	\$ -	\$ -
Net change in cash balances	\$ -	\$ -	\$ -2,147	\$ -	\$ -4,083	\$ 745
Cash balances beginning of year	-	7,019	9,925	3,800	-11,153	31,803
Cash balances end of year	\$ -	\$ 7,019	\$ 7,778	\$ 3,800	\$ -15,236	\$ 32,548
Cash Basis Fund Balances						
Restricted for:						
Special revenue funds	\$ -	\$ 7,019	\$ 7,778	\$ 3,800	\$ -15,236	\$ 32,548
Capital project funds	-	-	-	-	-	-
Nonspendable – cemetery perpetual care	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ 7,019	\$ 7,778	\$ 3,800	\$ -15,236	\$ 32,548

See accompanying independent auditor's report.

Special Revenue								
Swimming Pool Trust	Tourism Foundation Trust	Save The Depot	Tax Increment Financing	Capital Projects		Permanent Cemetery Perpetual Care	Total	
				Daycare Project	Street Project			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,245	
-	-	-	110,366	-	-	-	110,366	
9	3	-	-	-	-	-	52	
-	-	-	-	-	-	-	3,785	
-	-	-	-	-	-	-	2,013	
-	-	-	-	-	-	-	-	
100	10,000	-	-	-	-	2,000	13,620	
\$ 109	\$ 10,003	\$ -	\$ 110,366	\$ -	\$ -	\$ 2,000	\$ 240,081	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,772	
-	-	-	-	-	-	-	4,083	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,855	
\$ 109	\$ 10,003	\$ -	\$ 110,366	\$ -	\$ -	\$ 2,000	\$ 233,226	
\$ -	\$ -11,451	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -127,684	
\$ 109	\$ -1,448	\$ -	\$ 110,366	\$ -	\$ -	\$ 2,000	\$ 105,542	
4,377	37,953	-81,973	20,948	-229	54,835	56,000	133,305	
\$ 4,486	\$ 36,505	\$ -81,973	\$ 131,314	\$ -229	\$ 54,835	\$ 58,000	\$ 238,847	
\$ 4,486	\$ 36,505	\$ -81,973	\$ 131,314	\$ -	\$ -	\$ -	\$ 126,241	
-	-	-	-	-229	54,835	-	54,606	
-	-	-	-	-	-	58,000	58,000	
-	-	-	-	-	-	-	-	
\$ 4,486	\$ 36,505	\$ -81,973	\$ 131,314	\$ -229	\$ 54,835	\$ 58,000	\$ 238,847	

City of Ackley, Iowa

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2012

	Water Reserve Sinking		Water Deposits		Total
Operating receipts:					
Charges for service	\$ -		\$ 2,700		\$ 2,700
Operating disbursements:					
Business type activities	\$ -		\$ 1,636		\$ 1,636
Net change in cash balances	\$ -		\$ 1,064		\$ 1,064
Cash balances beginning of year		6,511		12,662	19,173
Cash balances end of year	\$ 6,511		\$ 13,726		\$ 20,237
Cash Basis Fund Balances					
Restricted:					
Other	\$ 6,511		\$ 13,726		\$ 20,237

City of Ackley, Iowa
Schedule of Indebtedness
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Essential corporate purpose	June 15, 2009	2.00-2.50%	\$590,000
Essential corporate purpose	July 15, 2009	3.00-3.90%	540,000
Revenue notes:			
Sewer revenue capital loan notes	November 1, 2004	2.45-5.10%	\$245,000
Total indebtedness			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$310,000	\$-	\$155,000	\$155,000	\$7,363	\$-
540,000	-	-	540,000	18,742	-
<u>\$850,000</u>	<u>\$-</u>	<u>\$155,000</u>	<u>\$695,000</u>	<u>\$26,105</u>	<u>\$-</u>
\$145,000	\$-	\$15,000	\$130,000	\$6,805	\$-
<u>\$995,000</u>	<u>\$-</u>	<u>\$170,000</u>	<u>\$825,000</u>	<u>\$32,910</u>	<u>\$-</u>

City of Ackley, Iowa
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Capital Loan Notes				Total
	Essential Corporate Purpose Refinanced June 15, 2009		Essential Corporate Purpose Issued July 15, 2009		
	Interest Rate	Amount	Interest Rate	Amount	
	2013	2.50%	\$155,000	3.00%	
2014		-	3.00%	130,000	130,000
2015		-	3.35%	135,000	135,000
2016		-	3.60%	135,000	135,000
2017		-	3.90%	140,000	140,000
		<u>\$155,000</u>		<u>\$540,000</u>	<u>\$695,000</u>

Year Ending June 30,	Revenue Notes	
	Sewer Revenue Capital Loan Notes	
	Issued November 1, 2004	
	Interest Rate	Amount
2013	4.30%	\$15,000
2014	4.45%	15,000
2015	4.60%	20,000
2016	4.75%	20,000
2017	4.90%	20,000
2018	5.00%	20,000
2019	5.10%	20,000
		<u>\$130,000</u>

City of Ackley, Iowa

**Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds**

For the Last Seven Years

	2012	2011	2010	2009
	(Audited)	(Audited)	(Audited)	(Unaudited)
Receipts:				
Property tax	\$ 586,045	\$ 585,921	\$ 565,336	\$ 516,033
Tax increment financing collection	110,366	70,623	-	-
Other city tax	166,525	190,110	164,545	153,149
Licenses and permits	3,406	3,352	3,392	3,127
Use of money and property	95,680	92,794	99,945	98,797
Intergovernmental	1,087,652	625,664	271,518	304,826
Charges for service	290,413	340,888	324,639	314,006
Special assessments	4,905	-	1,533	873
Miscellaneous	67,322	118,628	75,262	85,157
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 2,412,314	\$ 2,027,980	\$ 1,506,170	\$ 1,475,968
	<hr/>	<hr/>	<hr/>	<hr/>
Disbursements:				
Operating:				
Public safety	\$ 455,858	\$ 643,121	\$ 363,202	\$ 431,436
Public works	342,411	357,926	351,043	405,274
Health and social services	893	5,292	2,165	4,048
Culture and recreation	194,108	201,070	288,988	217,606
Community and economic development	7,104	16,919	125,355	124,754
General government	134,543	106,963	122,300	126,837
Debt service	182,105	180,005	185,985	755,518
Capital projects	1,010,368	566,197	429,774	90,716
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 2,327,390	\$ 2,077,493	\$ 1,868,812	\$ 2,156,189
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying independent auditor's report.

	2008		2007		2006
	(Audited)		(Unaudited)		(Audited)
\$	475,901	\$	465,543	\$	502,911
	-		-		-
	164,197		163,508		137,099
	3,492		3,959		3,180
	122,177		107,843		108,230
	200,883		195,484		200,113
	278,361		277,098		320,301
	8,123		1,343		6,146
	48,600		45,781		61,798
	<u>1,301,734</u>		<u>1,260,559</u>		<u>1,339,778</u>

\$	348,777	\$	346,111	\$	419,248
	367,492		332,011		346,417
	3,650		2,627		2,675
	185,364		169,069		188,541
	129,806		16,312		3,000
	112,194		94,927		107,031
	161,600		199,128		206,600
	173,877		25,177		219,486
	<u>1,482,760</u>		<u>1,185,362</u>		<u>1,492,998</u>

City of Ackley, Iowa

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
US Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants			
State's Programs and Non-Entitlement Grants in Hawaii	14.228	08-Dri-244	<u>\$ 809,329</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ackley and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated January 8, 2013. My report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Ackley is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of Ackley's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Ackley's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Ackley's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ackley's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-12 through II-D-12 material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-E-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ackley's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Ackley's responses and, accordingly, I 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 Ackley and other parties to whom the City of Ackley may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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


Keith Oltrogge
Certified Public Accountant

January 8, 2013

**Independent Auditor's Report on Compliance with Requirements That Could Have
A Direct and Material Effect on Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements That Could Have
A Direct and Material Effect on Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and Members of the City Council of
The City of Ackley:

Compliance

I have audited the City of Ackley, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Ackley's major federal programs for the year ended June 30, 2012. The City of Ackley's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of the City of Ackley's management. My responsibility is to express an opinion on the City of Ackley's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ackley's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Ackley's compliance with those requirements.

In my opinion, the City of Ackley complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of The City of Ackley is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered the City of Ackley's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City of Ackley's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in the internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-12 to be a material weakness.

The City of Ackley's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Ackley's responses and, accordingly, I 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 Ackley and other parties to whom the City of Ackley may report, including federal awarding agencies and pass-through entities and is not intended to be used by anyone other than these specified parties.


Keith Oltrogge
Certified Public Accountant

January 8, 2013

City of Ackley
Schedule of Findings
Year Ended June 30, 2012

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements which 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.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 14.228 – Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) The City of Ackley did not qualify as a low-risk auditee.

City of Ackley, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

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

Response and planned corrective action – We will consider this.

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

II-B-12 Treasurer's Report – The financial statement report, "Treasurer's report reconciliation to the clerk's balance" at June 30, 2012 does not agree with the actual cash balance per the bank reconciliations.

Recommendation – The treasurer's report should be corrected so the management of the City will have an accurate accounting of each individual fund.

Response and planned corrective action – We will do this.

Conclusion – Response accepted.

II-C-12 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement personnel.
- 2) Help achieve uniformity in accounting and in application of policies and procedures.
- 3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

Response and planned corrective action – The City will work to get one created before the next audit.

Conclusion – Response accepted.

City of Ackley, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Financial Statements (continued):

II-D-12 Financial Reporting – During the audit, I identified material amounts of receipts and transfers coded incorrectly in the financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

Recommendation – The City should properly record all receipts and transfers.

Response and planned corrective action – The City clerk has contacted a mentor to help in proper coding of revenues and transfers in the future.

Conclusion – Response accepted.

II-E-12 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosures is a necessary aspect of internal control over the City's financial reporting process. The City does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The City has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the City are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Cities and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the City would like to address.

Response and planned corrective action – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

City of Ackley, Iowa
Schedule of Findings
Year Ended June 30, 2012

Part III – Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 14.228: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii**

Pass-through Agency Number: 08-Dri-244

Federal Award Year: 2012

US Department of Housing and Urban Development

Passed through the Iowa Economic Development Authority

III-A-12 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-12

City of Ackley, Iowa

Schedule of Findings

Year ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in several different functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this.

Conclusion – Response accepted.

IV-B-12 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transcription Description</u>	<u>Amount</u>
James Daggs, Mayor, Owner of Ackley Publishing	Publications	\$1,567
Tim Eichmeier, Fire Chief, Owner of Eichmeier Motor	Repairs	\$3,549
Dale Brass, Council Member, Owner of Sailer Ford	Repairs	\$1,254

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions do not appear to represent conflicts of interest.

IV-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

The Council took action during the public hearings on March 14, 2012 and April 11, 2012. The Council opened the public hearing on May 9, 2012 but did not close it.

The minutes do not reflect the appointment of a replacement council member. They also do not show the election results.

Recommendation – The City should comply with the Chapter 21 of the Code of Iowa.

Response – We will comply with Code requirements for opening and closing public hearings and council actions.

Conclusion – Response accepted.

City of Ackley, Iowa

Schedule of Findings

Year ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

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

IV-H-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

IV-I-12 Financial Condition – The General Fund, Special Revenue Funds – Road Use Tax, Urban Renewal, and Save the Depot accounts, Capital Projects Fund – Daycare Project had deficit balances of \$239,311, \$104,253, \$15,236, \$81,973 and \$229 respectively, at June 30, 2012.

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

Response – The deficits will be monitored in the future.

Conclusion – Response accepted.

IV-J-12 Petty Cash – It was noted that the petty cash fund was used for mileage, meal and travel expenses.

Recommendations – The City should write checks for reimbursement of travel expenditures with proper documentation. The petty cash fund should only be used for small purchases.

Response – The petty cash fund will only be used for small purchases.

Conclusion – Response accepted.