

City of Akron

Akron, Iowa

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

June 30, 2012

City of Akron

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**City of Akron
City Officials
Year Ended June 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Before January 2012</u>		
Harold Higman, Jr.	Mayor	January 2012
Bob Frerichs	Member	January 2012
Denise Loutsch-Betelspacher	Member	January 2012
Barb Johnson	Member	January 2012
Sharon Frerichs	Member	January 2014
Chad Ericson	Member	January 2014
<u>After January 2012</u>		
Harold Higman, Jr.	Mayor	January 2016
Bob Frerichs	Member	January 2016
Denise Loutsch-Betelspacher	Member	January 2016
Barb Johnson	Member	January 2016
Sharon Frerichs	Member	January 2014
Chad Ericson	Member	January 2014
<u>APPOINTED OFFICIALS</u>		
Nicolle DeRocher	Clerk	Indefinite
Karen Wardrip	Treasurer	Indefinite
David Stuart	Attorney	Indefinite



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, 2012, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Akron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Akron Care Center, Inc. (blended component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Akron Care Center, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, based on our audit and the report of other auditors, 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, 2012, 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.



In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013 on our consideration of the City of Akron's internal control over financial reporting and on 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 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 our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akron's financial statements. The supplementary information included on pages 24 through 27 is presented for purposes of additional analysis and is not a required part of the 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 statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akron's financial statements. The management's discussion and analysis on pages 4 through 10 and the budgetary comparison information on pages 28 and 29 are presented for purposes of additional analysis and are not required parts of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Sioux City, Iowa
February 19, 2013

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, 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 were approximately \$2.5 million and \$1.3 million in fiscal 2012 and 2011.
- Disbursements of the City's governmental activities were approximately \$1.2 million and \$1.4 million in fiscal year 2012 and 2011. Capital projects and debt service disbursements decreased by approximately \$113,000 and \$111,000, respectively. Community and economic development and public works decreased by approximately \$51,000 and \$25,000. Public safety disbursements increased by approximately \$91,000.
- The City's total cash basis net assets increased from \$1,478,562 at June 30, 2011 to \$3,349,982 at June 30, 2012. The assets of the governmental activities increased by approximately \$152,000 and the assets of the business-type activities increased by approximately \$1,720,000.

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 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 financial statements.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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

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, Inc. (a blended component unit). These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund; (2) the Special Revenue Funds, such as Urban Renewal Tax Increment, 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.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains five Enterprise Funds to provide separate information for the funds. Electric Utility, Sewer Utility, Water Utility and Akron Care Center, Inc. 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.

Blended Component Units

The Akron Care Center, Inc. (Care Center) is an administrative agency of the City established under Section 392 of the Code of Iowa. The City of Akron is financially accountable for the Care Center as a result of fiscal dependency. The Care Center is governed by an elected Board of Trustees.

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.

The Volunteer Fire Association is an unincorporated nonprofit association and recognized by the Iowa Code as a separate legal entity. The Volunteer Fire Association's relationship with the City is the Association exists to directly benefit the City's fire department.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,103,315 to \$1,255,062. The analysis that follows focuses on the changes in cash balances for governmental activities.

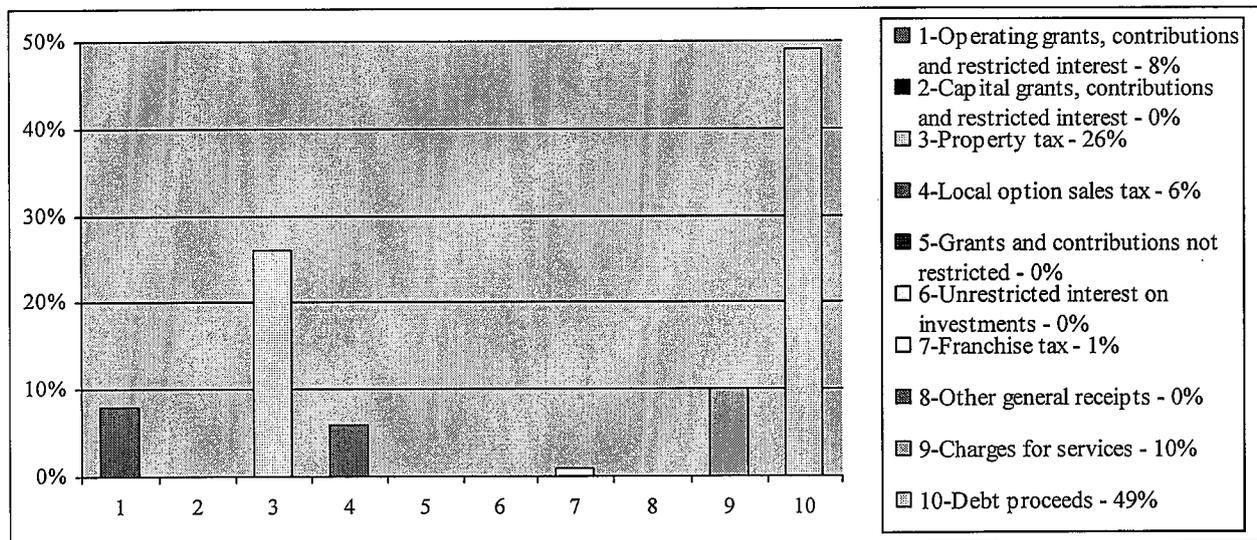
Changes in Cash Basis Net Assets of Governmental Activities Year Ended June 30,

	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service	\$ 258,272	\$ 272,631
Operating grants, contributions and restricted interest	192,323	186,352
Capital grants, contributions and restricted interest	-	7,621
General receipts:		
Property tax	675,035	652,073
Local option sales tax	144,323	131,927
Franchise tax	18,890	20,745
Grants and contributions not restricted to specific purposes	-	550
Unrestricted investment earnings	754	839
Bond proceeds	1,246,265	-
Other general receipts	<u>11,628</u>	<u>32,136</u>
Total receipts	<u>\$ 2,547,490</u>	<u>\$ 1,304,874</u>

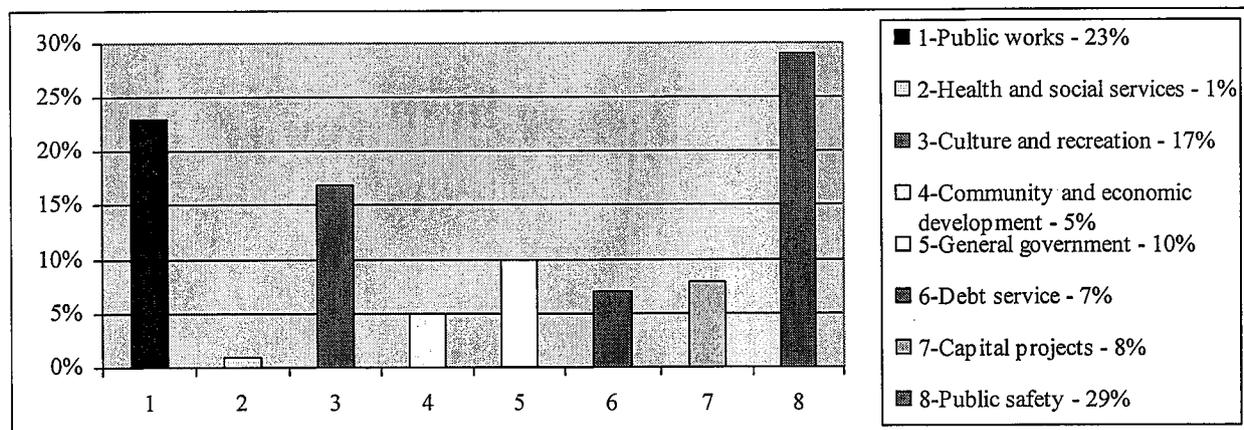
Changes in Cash Basis Net Assets of Governmental Activities
Year Ended June 30, (Continued)

	<u>2012</u>	<u>2011</u>
Disbursements:		
Public safety	\$ 361,885	\$ 270,846
Public works	288,665	313,244
Health and social services	16,182	21,234
Culture and recreation	210,846	189,137
Community and economic development	58,113	109,100
General government	119,811	114,545
Debt service	88,108	198,645
Capital projects	<u>92,501</u>	<u>205,244</u>
Total disbursements	<u>\$ 1,236,111</u>	<u>\$ 1,421,995</u>
Change in cash basis net assets before transfers	\$ 1,311,379	\$ (117,121)
Transfers, net	<u>(1,159,632)</u>	<u>378,735</u>
Change in cash basis net assets	\$ 151,747	\$ 261,614
Cash basis net assets beginning of year, as restated	<u>1,103,315</u>	<u>814,499</u>
Cash basis net assets end of year	<u>\$ 1,255,062</u>	<u>\$ 1,076,113</u>

2012 Receipts by Source



2012 Disbursements by Function



The City's total receipts for governmental activities increased by 95 percent, or approximately \$1.2 million. The large increase in receipts was attributable to \$1.2 million in bond proceeds. The total cost of all programs and services decreased by approximately \$186,000, or 13 percent.

The cost of all governmental activities this year was \$1,236,111 compared to \$1,421,995 last year. However, as shown in the Statement of Activities and Net Assets - Cash Basis on page 11, the amount taxpayers ultimately financed for these activities was \$785,516 because some of the cost was paid by those directly benefited from the programs (\$258,272) or by other governments and organizations that subsidized certain programs with grants and contributions (\$192,323). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$838,248 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>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service:		
Water utility	\$ 146,963	\$ 138,116
Sewer utility	106,891	104,012
Electric utility	1,352,996	1,443,942
Akron Care Center	2,449,597	2,190,149
Utility deposits	3,254	1,446
Operating grants, contributions and restricted interest	-	119,407
Capital grants and contributions and restricted interest	749,331	-
General receipts:		
Unrestricted interest on investments	8,191	16,275
Miscellaneous	<u>25,918</u>	<u>8,694</u>
Total receipts	<u>\$ 4,843,141</u>	<u>\$ 4,022,041</u>
Disbursements:		
Water utility	\$ 185,342	\$ 121,377
Sewer utility	95,510	55,508
Electric utility	1,273,719	1,332,336
Akron Care Center	2,727,602	2,405,981
Electric project	-	89,700
Utility deposits	<u>927</u>	<u>-</u>
Total disbursements	<u>\$ 4,283,100</u>	<u>\$ 4,004,902</u>
Change in cash basis net assets before transfers	\$ 560,041	\$ 17,139
Transfers, net	<u>1,159,632</u>	<u>(378,735)</u>
Change in cash basis net assets	\$ 1,719,673	\$ (361,596)
Cash basis net assets beginning of year	<u>375,247</u>	<u>736,843</u>
Cash basis net assets end of year	<u>\$ 2,094,920</u>	<u>\$ 375,247</u>

Total business-type activities receipts for the fiscal year were \$4,843,141 compared to \$4,022,041 last year, an increase of approximately \$821,000. The Akron Care Center charges for service increased by approximately \$259,000 and the electric utility charges for service decreased by approximately \$90,000. Capital grants and contributions increased by approximately \$749,000 due to an electric utility federal reimbursement grant and contributions received for the Akron Care Center Facility. Total disbursements for fiscal 2012 increased by approximately 7 percent to a total of \$4,283,100.

Individual Governmental Fund Analysis

As the City of Akron completed the year, its governmental funds reported a combined fund balance of \$1,255,062 an increase of \$151,747 from last year's total of \$1,103,315. The following are the major reasons for the changes in fund balances of the funds from the prior year.

- The Urban Renewal Tax Increment Fund cash balance was \$503,967 at June 30, 2012, a decrease of \$30,154 from the previous year. Receipts for fiscal year 2012 were \$322,135 and disbursements and transfers out were \$352,289. The city authorized internal loan payments during the current year to pay back the internally generated certified debt.
- The Road Use Tax Fund cash balance was \$131,450 at June 30, 2012, an increase of \$117,892 from the previous year. The Road Use Tax Fund received payments from the Urban Renewal Tax Increment Fund on their internal loan during the fiscal year.
- The General Fund cash balance was \$187,589 at June 30, 2012, an increase of \$91,356 from the previous year. Transfers in for the current year were \$369,043 from the Electric and Sewer funds and were used for operations.

Individual Major Business-Type Fund Analysis

- The Sewer Utility cash balance decreased by \$90,079 to \$116,553 primarily due to a transfer to the General fund for operations.
- The Electric Utility cash balance increased by \$235,552 to \$125,122, primarily due to a decrease in the current year capital outlay disbursements.
- The Water Utility cash balance increased by \$67,891 to \$191,620. The Water Fund received payment from the Urban Renewal Tax Increment Fund on their internal loan during the current fiscal year.
- The Akron Care Center cash balance increased by \$1,503,982 to \$1,641,229, primarily due to the transfer of \$1.2 million of bond proceeds for the new Care Center Facility that were not spent during the current year.

Budgetary Highlights

In accordance with the Code of Iowa, the City Council adopted a budget on the cash basis following required public notice and hearing for all funds.

During the year, the City amended its budget. The amendment was approved on May 22, 2012 and resulted in various changes to receipts and disbursements.

The City's receipts were approximately \$760,000 more than the amended budget. The City's disbursements were approximately \$2,400 more than the amended budget. The City exceeded disbursements in the business-type activities function by approximately \$243,000, public safety function by approximately \$44,000, culture and recreation by approximately \$18,000, and general government by approximately \$10,000.

Debt Administration

At June 30, 2012, the City had \$2,245,850 in bonds and other long-term debt, compared to \$1,087,812 last year, as shown below.

<u>Outstanding Debt at Year-End</u>		
<u>June 30,</u>		
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 1,940,000	\$ 760,000
Bank notes	<u>305,850</u>	<u>327,812</u>
Total	<u>\$ 2,245,850</u>	<u>\$ 1,087,812</u>

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 \$1,940,000 is below its constitutional debt limit of \$3,119,413.

Economic Factors and Next Year's Budget and Rates

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

Amounts available in the re-estimated 2013 budget for appropriation, including other financing sources, are \$11.1 million. The re-estimated 2013 budgeted disbursements were \$12.7 million. The City is currently constructing a new Municipal Care Center Facility which is expected to be substantially complete by the end of fiscal year 2013. The funds received during fiscal year 2012 along with the 2013 budgeted appropriations will be used to construct the estimated \$6.8 million Municipal Care Center Facility.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1.6 million by the close of 2013.

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 Nicolle DeRocher, City Clerk, 220 Reed Street, Akron, Iowa 51001.

FINANCIAL STATEMENTS

City of Akron
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2012

EXHIBIT A

<u>Functions/Programs</u>	<u>Program Receipts</u>				<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 119,811	\$ 9,011	\$ -	\$ -	\$ (110,800)	\$ -	\$ (110,800)
Public safety	361,885	69,979	27,632	-	(264,274)	-	(264,274)
Public works	288,665	141,226	141,159	-	(6,280)	-	(6,280)
Health and social services	16,182	-	-	-	(16,182)	-	(16,182)
Culture and recreation	210,846	38,056	18,001	-	(154,789)	-	(154,789)
Community and economic development	58,113	-	5,531	-	(52,582)	-	(52,582)
Debt service	88,108	-	-	-	(88,108)	-	(88,108)
Capital projects	92,501	-	-	-	(92,501)	-	(92,501)
Total governmental activities	<u>1,236,111</u>	<u>258,272</u>	<u>192,323</u>	<u>-</u>	<u>(785,516)</u>	<u>-</u>	<u>(785,516)</u>
Business-type activities:							
Water utility	185,342	146,963	-	-	-	(38,379)	(38,379)
Sewer utility	95,510	106,891	-	-	-	11,381	11,381
Electric utility	1,273,719	1,352,996	-	223,386	-	302,663	302,663
Akron Care Center	2,727,602	2,449,597	-	525,945	-	247,940	247,940
Utility deposits	927	3,254	-	-	-	2,327	2,327
Total business-type activities	<u>4,283,100</u>	<u>4,059,701</u>	<u>-</u>	<u>749,331</u>	<u>-</u>	<u>525,932</u>	<u>525,932</u>
Total	<u>\$ 5,519,211</u>	<u>\$ 4,317,973</u>	<u>\$ 192,323</u>	<u>\$ 749,331</u>	<u>(785,516)</u>	<u>525,932</u>	<u>(259,584)</u>
General receipts:							
Property and other city tax levied for:							
General purposes					267,088	-	267,088
Employee benefits					90,449	-	90,449
Tax increment financing					317,498	-	317,498
Local option sales tax					144,323	-	144,323
Franchise tax					18,890	-	18,890
Unrestricted investment earnings					754	8,191	8,945
Miscellaneous					9,128	25,918	35,046
Proceeds from debt					1,246,265	-	1,246,265
Sale of assets					2,500	-	2,500
Transfers					(1,159,632)	1,159,632	-
Total general receipts and transfers					<u>937,263</u>	<u>1,193,741</u>	<u>2,131,004</u>
Change in cash basis net assets					151,747	1,719,673	1,871,420
Cash basis net assets beginning of year, as restated					1,103,315	375,247	1,478,562
Cash basis net assets end of year					<u>\$ 1,255,062</u>	<u>\$ 2,094,920</u>	<u>\$ 3,349,982</u>
CASH BASIS NET ASSETS:							
Restricted:							
Streets					\$ 131,450	\$ -	\$ 131,450
Local option sales tax					38,854	-	38,854
Urban renewal purposes					503,967	-	503,967
Debt service					43,814	-	43,814
Fire department					52,495	-	52,495
Pool replacement					40,476	-	40,476
Other purposes					86,348	-	86,348
Construction of new care facility					-	1,076,765	1,076,765
Unrestricted					357,658	1,018,155	1,375,813
Total cash basis net assets					<u>\$ 1,255,062</u>	<u>\$ 2,094,920</u>	<u>\$ 3,349,982</u>

City of Akron
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2012

	General	Special Revenue Urban Renewal Tax Increment	Capital Projects Downtown Street	Nonmajor	Total
RECEIPTS:					
Property tax	\$ 267,088	\$ -	\$ -	\$ 90,449	\$ 357,537
Tax increment financing	-	317,498	-	-	317,498
Other city tax	18,890	-	-	144,323	163,213
Licenses and permits	3,761	-	-	-	3,761
Intergovernmental	19,442	-	-	140,949	160,391
Charges for services	232,312	-	-	6,937	239,249
Use of money and property	9,765	4,637	-	1,273	15,675
Miscellaneous	13,553	-	-	27,848	41,401
Total receipts	<u>564,811</u>	<u>322,135</u>	<u>-</u>	<u>411,779</u>	<u>1,298,725</u>
DISBURSEMENTS:					
Current:					
General government	98,801	-	-	21,010	119,811
Public safety	316,511	-	-	45,374	361,885
Public works	178,819	-	-	109,846	288,665
Health and social services	16,182	-	-	-	16,182
Culture and recreation	181,548	-	-	29,298	210,846
Community and economic development	53,137	4,976	-	-	58,113
Debt service	-	-	-	88,108	88,108
Capital outlay	-	-	-	92,501	92,501
Total disbursements	<u>844,998</u>	<u>4,976</u>	<u>-</u>	<u>386,137</u>	<u>1,236,111</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(280,187)</u>	<u>317,159</u>	<u>-</u>	<u>25,642</u>	<u>62,614</u>
OTHER FINANCING SOURCES (USES):					
Bond proceeds	-	-	-	1,246,265	1,246,265
Sale of capital assets	2,500	-	-	-	2,500
Transfers in	369,043	-	-	255,039	624,082
Transfers out	-	(347,313)	-	(1,436,401)	(1,783,714)
Total other financing sources and (uses)	<u>371,543</u>	<u>(347,313)</u>	<u>-</u>	<u>64,903</u>	<u>89,133</u>
Net change in cash balances	91,356	(30,154)	-	90,545	151,747
Cash balance beginning of year, as restated	96,233	534,121	210,545	262,416	1,103,315
Cash balance end of year	<u>\$ 187,589</u>	<u>\$ 503,967</u>	<u>\$ 210,545</u>	<u>\$ 352,961</u>	<u>\$ 1,255,062</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Local option sales tax	\$ -	\$ -	\$ -	\$ 38,854	\$ 38,854
Streets	-	-	-	131,450	131,450
Debt service	-	-	-	43,814	43,814
Urban renewal purposes	-	503,967	-	-	503,967
Fire department	-	-	-	52,495	52,495
Pool replacement	40,476	-	-	-	40,476
Other purposes	-	-	-	86,348	86,348
Assigned to:					
Street vehicle replacement	139,910	-	-	-	139,910
Public safety	3,556	-	-	-	3,556
Other purposes	3,647	-	-	-	3,647
Capital projects	-	-	210,545	-	210,545
Total cash basis fund balances	<u>\$ 187,589</u>	<u>\$ 503,967</u>	<u>\$ 210,545</u>	<u>\$ 352,961</u>	<u>\$ 1,255,062</u>

See notes to financial statements.

City of Akron
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2012

	Sewer	Electric	Water	Akron Care Center	Nonmajor Utility Deposits	Total
OPERATING RECEIPTS:						
Charges for services	\$ 106,891	\$ 1,352,996	\$ 146,963	\$ 2,408,452	\$ -	\$ 4,015,302
Miscellaneous	-	-	-	41,145	3,254	44,399
Total operating receipts	<u>106,891</u>	<u>1,352,996</u>	<u>146,963</u>	<u>2,449,597</u>	<u>3,254</u>	<u>4,059,701</u>
OPERATING DISBURSEMENTS:						
Personal services	30,292	216,451	73,474	1,523,547	-	1,843,764
Repairs and maintenance	8,190	2,561	9,820	38,471	-	59,042
Utilities	4,555	6,838	14,207	66,157	-	91,757
Contractual services	13,670	14,651	16,567	331,533	-	376,421
Commodities	13,815	889,600	33,451	281,181	927	1,218,974
Total operating disbursements	<u>70,522</u>	<u>1,130,101</u>	<u>147,519</u>	<u>2,240,889</u>	<u>927</u>	<u>3,589,958</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>36,369</u>	<u>222,895</u>	<u>(556)</u>	<u>208,708</u>	<u>2,327</u>	<u>469,743</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Interest	1,591	289	443	5,868	-	8,191
Miscellaneous revenue	21,379	630	-	3,909	-	25,918
Debt service:						
Principal	-	-	-	(21,962)	-	(21,962)
Interest	-	-	-	(25,094)	-	(25,094)
Capital outlay	(24,988)	(143,618)	(37,823)	(439,657)	-	(646,086)
Net non-operating receipts (disbursements)	<u>(2,018)</u>	<u>(142,699)</u>	<u>(37,380)</u>	<u>(476,936)</u>	<u>-</u>	<u>(659,033)</u>
Excess (deficiency) of receipts over (under) disbursements	34,351	80,196	(37,936)	(268,228)	2,327	(189,290)
Capital contributions	-	223,386	-	525,945	-	749,331
Transfers in	3,610	125,241	113,588	1,246,265	-	1,488,704
Transfers out	(128,040)	(193,271)	(7,761)	-	-	(329,072)
Net change in cash balances	<u>(90,079)</u>	<u>235,552</u>	<u>67,891</u>	<u>1,503,982</u>	<u>2,327</u>	<u>1,719,673</u>
Cash balance beginning of year	206,632	(110,430)	123,729	137,247	18,069	375,247
Cash balance end of year	<u>\$ 116,553</u>	<u>\$ 125,122</u>	<u>\$ 191,620</u>	<u>\$ 1,641,229</u>	<u>\$ 20,396</u>	<u>\$ 2,094,920</u>
CASH BASIS FUND BALANCES:						
Restricted for construction of new care facility	\$ -	\$ -	\$ -	\$ 1,076,765	\$ -	\$ 1,076,765
Unrestricted	116,553	125,122	191,620	564,464	20,396	1,018,155
Total cash basis fund balance	<u>\$ 116,553</u>	<u>\$ 125,122</u>	<u>\$ 191,620</u>	<u>\$ 1,641,229</u>	<u>\$ 20,396</u>	<u>\$ 2,094,920</u>

City of Akron
Notes To Financial Statements
June 30, 2012

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.

- A. 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. 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 units. The component units discussed below are included in the City's reporting entity because the City is financially accountable for the component units. Complete financial statements of the Akron Care Center, Inc., which issued separate financial statements as noted below, can be obtained from the Care Center's administrative offices.

The Akron Care Center, Inc. (Care Center) is an administrative agency of the City established under Section 392 of the Code of Iowa. The Care Center is governed by an elected board of trustees. The City of Akron is financially accountable for the Care Center as a result of fiscal dependency. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Care Center meets the definition of a blended component unit.

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 \$33,904 for the year ended June 30, 2012.

City of Akron
Notes To Financial Statements
June 30, 2012

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.

The Volunteer Fire Association is an unincorporated nonprofit association and recognized by the Iowa Code as a separate legal entity. The Volunteer Fire Association exists to directly benefit the City's fire department. In accordance with criteria set forth by the Governmental Accountings Standards Board, the Volunteer Fire Association meets the definition of a blended component unit.

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. The City is also a member of a 28E agreement with the Northwest Iowa Area Solid Waste Agency.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, 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 - Cash Basis 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.

City of Akron
Notes To Financial Statements
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

Capital Projects:

Downtown Street Fund is used to account for the resources to be used to pay for construction and engineering services related to the Downtown Street project.

City of Akron
Notes To Financial Statements
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The City reports the following major proprietary funds:

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

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

- C. 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.

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 balance.

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.

City of Akron
Notes To Financial Statements
June 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- D. Governmental Cash Basis Fund Balances - In the governmental fund financial statements, cash basis fund balances are classified as follows:

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 restricted or assigned fund balance.

- E. Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government, and business-type activities functions.

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. During the year ended June 30, 2012, the City held no investments.

City of Akron
Notes To Financial Statements
June 30, 2012

BONDS AND NOTES PAYABLE:

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

Year Ended June 30,	General Obligation		Bank Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 135,000	\$ 48,870	\$ 21,229	\$ 12,650	\$ 156,229	\$ 61,520
2014	150,000	45,883	22,128	11,751	172,128	57,634
2015	150,000	43,816	23,087	10,792	173,087	54,608
2016	160,000	41,318	24,072	9,807	184,072	51,125
2017	165,000	38,268	25,145	8,734	190,145	47,002
2018-2022	520,000	138,605	142,965	26,430	662,965	165,035
2023-2027	340,000	91,080	47,224	1,672	387,224	92,752
2028-2031	320,000	30,376	-	-	320,000	30,376
Total	\$ 1,940,000	\$ 478,216	\$ 305,850	\$ 81,836	\$ 2,245,850	\$ 560,052

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

Bank Note Payable - The City pledged future Care Center receipts, net of specified operating disbursements, to repay \$375,000 in bank notes issued November 24, 2008. Proceeds from the notes refinanced the Village North Apartment Complex, an 8-unit assisted living facility. The note is payable in 180 equal monthly installments of \$2,823, including interest at 4.25 percent. The notes are payable solely from Care Center net receipts and the final payment is payable in 2024. The total principal and interest remaining to be paid on the notes is \$387,686. For the current year, principal and interest paid and total net operating receipts were \$31,056 and \$208,708, respectively.

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.

City of Akron
Notes To Financial Statements
June 30, 2012

PENSION AND RETIREMENT BENEFITS (CONTINUED):

Most regular plan members are required to contribute 5.38 percent of their annual covered salary and the City is required to contribute 8.07 percent of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute.

The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$139,106, \$108,124, and \$91,412, respectively, equal to the required contribution for each year.

OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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 \$511 for single coverage and \$501 to \$1,676 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, there were no participants and no contributions to the plan.

COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2012 was \$18,500 for the primary government and \$28,000 for the Care Center. This liability has been computed based on rates of pay as of June 30, 2012.

City of Akron
Notes To Financial Statements
June 30, 2012

INTERFUND TRANSFERS:

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 57,410
	Enterprise:	
	Sewer Utility	\$ 127,704
	Sewer Utility	-
	Water Utility	7,688
	Electric Utility	<u>176,241</u>
		\$ 311,633
		<u>\$ 369,043</u>
Road Use Tax	Special Revenue:	
	Urban Renewal Tax Increment	\$ 75,000
Debt Service	Special Revenue:	
	Local Option Sales Tax	\$ 29,040
	Road Use Tax	11,755
	Urban Renewal Tax Increment	<u>47,313</u>
		\$ 88,108
Capital Projects:	Special Revenue:	
Akron Business Park	Local Option Sales Tax	\$ 91,931
		<u>\$ 624,082</u>
Enterprise:	Enterprise:	
Sewer Utility	Electric Utility	\$ 3,610
Electric Utility	Special Revenue:	
	Urban Renewal Tax Increment	\$ 125,000
	Enterprise:	
	Water Utility	73
	Sewer Utility	<u>168</u>
		\$ 125,241
Akron Care Center	Capital Project:	
	Municipal Care Facility	\$ 1,246,265
Water Utility	Special Revenue:	
	Urban Renewal Tax Increment	\$ 100,000
	Enterprise:	
	Electric Utility	13,420
	Sewer Utility	<u>168</u>
		\$ 113,588
		<u>\$ 1,488,704</u>
		<u>\$ 2,112,786</u>
	Total	

City of Akron
Notes To Financial Statements
June 30, 2012

INTERFUND TRANSFERS (CONTINUED):

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.

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.

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, 2012, there were no claims in excess of the minimum contributions to the claim fund.

COMMITMENTS AND SUBSEQUENT EVENTS:

During April 2012, the City entered into a \$5,561,900 construction contract with Gil Haugan Construction, Inc. for the construction of the new Municipal Care Center Facility. As of June 30, 2012, \$5,422,241 remains on the contract. On September 22, 2011, the City of Akron was approved for a \$4,000,000 loan from the United States Department of Agriculture (USDA) Rural Development to provide funding for the new facility. The USDA loan requires the City to obtain short-term financing for the construction of the facility. When the facility is complete, the City will receive the \$4,000,000 USDA loan proceeds to be used to pay the short-term financing. During the year ended June 30, 2012, the City of Akron entered into a \$4,000,000 loan agreement with Peoples Bank to provide the short-term financing for the new facility. This loan agreement is secured by the net revenues of the Akron Care Center, Inc. Subsequent to year end, \$50,001 was drawn on the \$4,000,000 short-term financing with Peoples Bank.

City of Akron
Notes To Financial Statements
June 30, 2012

HEALTHCARE FACILITY REVENUE BONDS:

The City has issued a total of \$543,379 of healthcare facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the Akron Health Care's revenues, and the bond principal and interest do not constitute liabilities of the City.

RESTATEMENT:

Due to a change in the Code of Iowa, the Volunteer Fire Association (Association), previously reported in the General Fund, is now recognized as a separate legal entity and therefore, reported as a blended component unit. As a result of this change, the General Fund cash balance at June 30, 2011 was decreased by \$7,782 and the Association cash balance was increased by \$7,782. In addition, the Association cash balance at June 30, 2011 was restated by an additional \$27,202 to include the other cash accounts of the Association not previously recognized.

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, 2012

	Special Revenue					Capital Projects			Total
	Local Option Sales Tax	Road Use Tax	Employee Benefits	Library Improvement Trust	Volunteer Fire Association	Akron Business Park	Municipal Care Center Facility	Debt Service	
RECEIPTS:									
Property taxes	\$ -	\$ -	\$ 90,449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,449
Other city tax	144,323	-	-	-	-	-	-	-	144,323
Intergovernmental	-	140,949	-	-	-	-	-	-	140,949
Charges for services	-	6,937	-	-	-	-	-	-	6,937
Interest	894	210	109	35	25	-	-	-	1,273
Miscellaneous	1,926	-	-	-	25,922	-	-	-	27,848
Total receipts	<u>147,143</u>	<u>148,096</u>	<u>90,558</u>	<u>35</u>	<u>25,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,779</u>
DISBURSEMENTS:									
Current:									
General government	-	-	21,010	-	-	-	-	-	21,010
Public safety	-	-	36,848	-	8,526	-	-	-	45,374
Public works	-	93,449	16,397	-	-	-	-	-	109,846
Culture and recreation	-	-	27,681	1,617	-	-	-	-	29,298
Debt service	-	-	-	-	-	-	-	88,108	88,108
Capital outlay	-	-	-	-	-	92,501	-	-	92,501
Total disbursements	<u>-</u>	<u>93,449</u>	<u>101,936</u>	<u>1,617</u>	<u>8,526</u>	<u>92,501</u>	<u>-</u>	<u>88,108</u>	<u>386,137</u>
Excess (deficiency) of receipts (under) over disbursements	<u>147,143</u>	<u>54,647</u>	<u>(11,378)</u>	<u>(1,582)</u>	<u>17,421</u>	<u>(92,501)</u>	<u>-</u>	<u>(88,108)</u>	<u>25,642</u>
OTHER FINANCING SOURCES (USES):									
Proceeds from long-term debt, net	-	-	-	-	-	-	1,246,265	-	1,246,265
Transfers in	-	75,000	-	-	-	91,931	-	88,108	255,039
Transfers out	(178,381)	(11,755)	-	-	-	-	(1,246,265)	-	(1,436,401)
Total other financing sources and (uses)	<u>(178,381)</u>	<u>63,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,931</u>	<u>-</u>	<u>88,108</u>	<u>64,903</u>
Net change in cash balances	(31,238)	117,892	(11,378)	(1,582)	17,421	(570)	-	-	90,545
Cash balance beginning of year, as restated	70,092	13,558	77,507	4,737	35,074	17,634	-	43,814	262,416
Cash balance end of year	<u>\$ 38,854</u>	<u>\$ 131,450</u>	<u>\$ 66,129</u>	<u>\$ 3,155</u>	<u>\$ 52,495</u>	<u>\$ 17,064</u>	<u>\$ -</u>	<u>\$ 43,814</u>	<u>\$ 352,961</u>
CASH BASIS FUND BALANCES:									
Restricted for:									
Local option sales tax	\$ 38,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,854
Streets	-	131,450	-	-	-	-	-	-	131,450
Debt Service	-	-	-	-	-	-	-	43,814	43,814
Fire department	-	-	-	-	52,495	-	-	-	52,495
Other purposes	-	-	66,129	3,155	-	17,064	-	-	86,348
Total cash basis fund balances	<u>\$ 38,854</u>	<u>\$ 131,450</u>	<u>\$ 66,129</u>	<u>\$ 3,155</u>	<u>\$ 52,495</u>	<u>\$ 17,064</u>	<u>\$ -</u>	<u>\$ 43,814</u>	<u>\$ 352,961</u>

See accompanying independent auditors' report.

**City of Akron
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>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation:									
2012A Care Center Bonds	05-24-12	.65-3.75%	\$ 1,250,000	\$ -	\$ 1,250,000	\$ -	\$ 1,250,000	\$ -	\$ -
2011 Refinancing	02-04-11	1.10-3.35%	810,000	760,000	-	70,000	690,000	18,108	-
Total				<u>\$ 760,000</u>	<u>\$ 1,250,000</u>	<u>\$ 70,000</u>	<u>\$ 1,940,000</u>	<u>\$ 18,108</u>	<u>\$ -</u>
Bank Note Payable:									
8-Plex Assisted Living Project	11-24-08	4.25%	\$ 375,000	<u>\$ 327,812</u>	<u>\$ -</u>	<u>\$ 21,962</u>	<u>\$ 305,850</u>	<u>\$ 9,094</u>	<u>\$ -</u>

**City of Akron
Bond and Note Maturities
June 30, 2012**

General Obligation					Bank Note Payable		
Year Ending June 30,	2011 Refinancing February 4, 2011		2012A Care Center Bonds May 24, 2012		Year Ending June 30,	8-Plex Assisted Living Note November 24, 2008	
	Interest Rate	Amount	Interest Rate	Amount		Interest Rate	Amount
2013	1.60 - 3.35%	\$ 80,000	0.65 - 3.75%	\$ 55,000	2013	4.25%	\$ 21,229
2014	1.80 - 3.35%	95,000	0.65 - 3.75%	55,000	2014	4.25%	22,128
2015	2.05 - 3.35%	95,000	0.65 - 3.75%	55,000	2015	4.25%	23,087
2016	2.45 - 3.35%	100,000	1.00 - 3.75%	60,000	2016	4.25%	24,072
2017	2.75 - 3.35%	105,000	1.00 - 3.75%	60,000	2017	4.25%	25,145
2018	3.05 - 3.35%	105,000	1.40 - 3.75%	60,000	2018	4.25%	26,220
2019	3.35%	110,000	1.40 - 3.75%	60,000	2019	4.25%	27,356
2020			1.85 - 3.75%	60,000	2020	4.25%	28,534
2021		<u>\$ 690,000</u>	1.85 - 3.75%	60,000	2021	4.25%	29,786
2022			2.20 - 3.75%	65,000	2022	4.25%	31,069
2023			2.20 - 3.75%	65,000	2023	4.25%	32,416
2024			2.60 - 3.75%	65,000	2024	4.25%	14,808
2025			2.60 - 3.75%	70,000			
2026			3.00 - 3.75%	70,000			<u>\$ 305,850</u>
2027			3.00 - 3.75%	70,000			
2028			3.50 - 3.75%	75,000			
2029			3.50 - 3.75%	80,000			
2030			3.50 - 3.75%	80,000			
2031			3.75%	85,000			
				<u>\$ 1,250,000</u>			

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
RECEIPTS:										
Property tax	\$ 357,537	\$ 345,629	\$ 365,615	\$ 328,616	\$ 318,793	\$ 345,474	\$ 303,104	\$ 288,889	\$ 266,448	\$ 274,470
Tax increment financing collections	317,498	306,444	300,083	236,968	208,071	48,477	99,365	139,900	58,541	66,311
Other city tax	163,213	152,672	158,435	169,104	154,167	156,724	146,391	118,445	138,625	76,940
Licenses and permits	3,761	3,367	4,456	2,738	4,610	3,356	3,851	3,943	3,173	3,322
Use of money and property	15,675	26,171	21,544	26,976	33,312	13,602	7,871	8,478	5,043	53,702
Intergovernmental	160,391	174,387	179,319	186,415	147,264	244,459	227,890	146,842	420,861	218,060
Charges for services	239,249	242,391	235,290	248,471	201,160	217,418	205,761	206,129	218,758	193,651
Miscellaneous	41,401	44,513	30,038	53,411	86,126	27,216	51,017	44,801	45,698	35,066
Total	\$ 1,298,725	\$ 1,295,574	\$ 1,294,780	\$ 1,252,699	\$ 1,153,503	\$ 1,056,726	\$ 1,045,250	\$ 957,427	\$ 1,157,147	\$ 921,522
DISBURSEMENTS:										
Current:										
Public safety	\$ 361,885	\$ 270,846	\$ 288,823	\$ 292,417	\$ 379,719	\$ 278,252	\$ 319,839	\$ 377,707	\$ 204,469	\$ 224,168
Public works	288,665	313,244	281,159	335,956	259,389	328,074	213,891	289,255	221,875	363,248
Health and social services	16,182	21,234	14,850	15,099	27,551	21,390	20,471	38,492	27,523	7,466
Culture and recreation	210,846	189,137	213,368	224,828	178,703	243,324	185,696	182,410	215,187	203,441
Community and economic development	58,113	109,100	111,841	62,221	96,122	148,049	56,743	32,000	104,605	-
General government	119,811	114,545	132,770	152,186	110,092	120,134	128,807	123,579	117,622	111,495
Debt service	88,108	198,645	191,493	198,083	167,701	105,855	102,836	167,199	61,356	100,487
Capital projects	92,501	205,244	175,717	394,350	342,529	270,154	244,085	130,271	833,315	174,357
Total	\$ 1,236,111	\$ 1,421,995	\$ 1,410,021	\$ 1,675,140	\$ 1,561,806	\$ 1,515,232	\$ 1,272,368	\$ 1,340,913	\$ 1,785,952	\$ 1,184,662

OTHER 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
Other Information
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
RECEIPTS:							
Property tax	\$ 357,537	\$ -	\$ -	\$ 357,537	\$ 351,118	\$ 345,629	\$ 11,908
Tax increment financing	317,498	-	-	317,498	330,500	306,444	11,054
Other city tax	163,213	-	-	163,213	149,993	172,672	(9,459)
Licenses and permits	3,761	-	-	3,761	4,525	3,367	394
Use of money and property	15,675	8,191	(25)	23,841	26,600	43,946	(20,105)
Intergovernmental	160,391	223,386	-	383,777	356,488	194,387	189,390
Charges for services	239,249	4,015,302	-	4,254,551	4,042,354	4,084,953	169,598
Miscellaneous	41,401	596,262	(25,922)	611,741	45,000	203,592	408,149
Total receipts	<u>1,298,725</u>	<u>4,843,141</u>	<u>(25,947)</u>	<u>6,115,919</u>	<u>5,306,578</u>	<u>5,354,990</u>	<u>760,929</u>
DISBURSEMENTS:							
Public safety	361,885	-	(8,526)	353,359	289,128	308,933	(44,426)
Public works	288,665	-	-	288,665	357,661	317,860	29,195
Health and social services	16,182	-	-	16,182	16,134	21,234	5,052
Culture and recreation	210,846	-	-	210,846	211,051	193,192	(17,654)
Community and economic development	58,113	-	-	58,113	355,883	113,410	55,297
General government	119,811	-	-	119,811	144,493	109,929	(9,882)
Debt service	88,108	-	-	88,108	88,109	198,645	110,537
Capital projects	92,501	-	-	92,501	-	205,244	112,743
Business-type activities	-	4,283,100	-	4,283,100	3,743,934	4,039,820	(243,280)
Total disbursements	<u>1,236,111</u>	<u>4,283,100</u>	<u>(8,526)</u>	<u>5,510,685</u>	<u>5,206,393</u>	<u>5,508,267</u>	<u>(2,418)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	62,614	560,041	(17,421)	605,234	100,185	(153,277)	758,511
OTHER FINANCING SOURCES (USES), NET	89,133	1,159,632	-	1,248,765	-	37,256	1,211,509
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	151,747	1,719,673	(17,421)	1,853,999	100,185	(116,021)	1,970,020
BALANCE, BEGINNING OF YEAR	1,103,315	375,247	(35,074)	1,443,488	1,182,463	1,551,342	(107,854)
BALANCE, END OF YEAR	<u>\$ 1,255,062</u>	<u>\$ 2,094,920</u>	<u>\$ (52,495)</u>	<u>\$ 3,297,487</u>	<u>\$ 1,282,648</u>	<u>\$ 1,435,321</u>	<u>\$ (1,862,166)</u>

City of Akron
Notes to Other Information - Budgetary Reporting
June 30, 2012

The budgetary comparison is presented as Other Information. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The City also includes the Akron Care Center (blended component unit) in its adopted cash basis budget. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the public safety, culture and recreation, general government, and business-type activities functions.



**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 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, 2012, which collectively comprise the City's financial statements and have issued our report thereon dated February 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

Management of the City of Akron is responsible for establishing and maintaining effective 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 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 that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a



deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses to be material weaknesses (I-A-12, I-B-12).

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 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, 2012 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.

The City of Akron's responses to the 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 the 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 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.

Sioux City, Iowa
February 19, 2013

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

City of Akron
Schedule of Findings and Responses
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Material Weaknesses

I-A-12 Financial Statement Preparation - The financial statements are the responsibility of the City's management. A system of internal control over financial reporting includes control over financial statement preparation, including note disclosures. We drafted the financial statements and note disclosures which included recording the receipts and disbursements of the two blended component units. Management approved the draft. It is acceptable for the auditors to draft the financial statements but because we can not be a part of the City's internal control auditing standards require that this be communicated to those charged with governance.

Recommendation - We recommend the Council review this process in order to maximize internal controls and assess the cost/benefit of this process.

Response - The City will review this process.

Conclusion - Response accepted.

I-B-12 Financial Reporting - During the audit, we proposed adjusting journal entries related to properly recording transfers.

Recommendation - We recommend transfers posted in the general ledger be reviewed and agreed to the appropriate documentation.

Response - The City will review transfers recorded in the general ledger for accuracy.

Conclusion - Response accepted.

Instances of Noncompliance

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public safety, culture and recreation, general government, and business-type activities functions. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, the notice of public hearing for the budget estimate was not published in the timeframe required by Chapter 384.16 of the Code of Iowa.

City of Akron
Schedule of Findings and Responses
Year Ended June 30, 2012

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

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the budget. Chapter 384.16 of the Code of Iowa should be reviewed so the notice of public hearing is published in the required timeframe.

Response - The budget will be amended in the future, if applicable. Also, the notice of public hearing will be published in the required timeframe.

Conclusion - Response accepted.

- II-B-12 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.
- II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-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 ensure that the coverage is adequate for current operations.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 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.