

CITY OF ACKLEY, IOWA

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

June 30, 2014

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City of Ackley, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
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
Dan Scallon	Council Member	December 31, 2013
Arlene Thuente	Council Member	December 31, 2015
Glen Anderson	City Administrator	Indefinite
Cyndee Roskens	City Clerk	December 31, 2013
Mike Smith	Attorney	December 31, 2013
(After January 2014)		
James Daggs	Mayor	December 31, 2015
Dale Brass	Mayor Pro tem	December 31, 2017
Susan Ibeling	Council Member	December 31, 2017
Robert Harms	Council Member	December 31, 2017
Arlene Thuente	Council Member	December 31, 2015
Keith DeVries**	Council Member	December 31, 2015
Josh Gronewold***	Council Member	December 31, 2015
Glen Anderson*	City Administrator	Indefinite
Cyndee Roskens	City Clerk	December 31, 2015
Mike Smith	Attorney	December 31, 2015

*Appointed September 11, 2013/Resigned February 28, 2014

**Resigned April 9, 2014

***Council Appointed June 11, 2014

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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 third paragraph of this report, the financial statements for the four years ended June 30, 2013, June 30, 2008 and June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 20 through 21 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 11, 2014 on my consideration of the City of 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* in considering the City of Ackley's internal control over financial reporting and compliance.


Keith Oltrogge
Certified Public Accountant

November 11, 2014

City of Ackley

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 4.2% or approximately \$65,671 from fiscal 2013 to fiscal 2014. Property tax and operating grants, contributions and restricted interest revenues decreased approximately \$44,400 and \$18,500 respectively.
- Disbursements of the City's governmental activities increased 10.0%, or approximately \$154,000, in fiscal 2014 from fiscal 2013. Capital projects disbursements increased approximately \$201,990.
- The City's total cash basis net position decreased 31.0%, or approximately \$476,500 from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities decreased approximately \$241,500 and the assets of the business type activities decreased by approximately \$234,900.

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 Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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, 4) the Capital Projects Fund and 5) the Permanent Funds. 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 position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from (adjusted) \$1,529,807 to \$1,288,277. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2014	2013
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 337,331	\$ 381,693
Operating grants, contributions and restricted interest	182,828	201,288
Capital grants, contributions and restricted interest	-	-
General receipts:		
Property tax	673,392	701,445
Local option sales tax	155,001	147,335
Unrestricted investment earnings	70,946	73,261
Other general receipts	88,873	69,020
Total receipts	<u>\$ 1,508,371</u>	<u>\$ 1,574,042</u>
Disbursements:		
Public safety	\$ 450,398	\$ 502,256
Public works	342,072	361,919
Health and social services	1,254	-
Culture and recreation	186,098	196,395
Community and economic development	41,840	35,039
General government	175,588	129,943
Debt service	196,528	216,237
Capital projects	307,619	105,629
Total disbursements and transfers	<u>\$ 1,701,397</u>	<u>\$ 1,547,418</u>
Change in cash basis net position before transfers	\$ -193,026	\$ 26,624
Transfers	-48,504	-
Change in cash basis net position	<u>\$ -241,530</u>	<u>\$ 26,624</u>
Cash basis net position beginning of year	\$ 1,529,807	\$ 1,486,209
Prior period adjustment	-	16,974
Adjusted cash basis net position beginning of year	<u>\$ 1,529,807</u>	<u>\$ 1,503,183</u>
Cash basis net position end of year	<u>\$ 1,288,277</u>	<u>\$ 1,529,807</u>

The City's total receipts for governmental activities, decreased by 4.2%, or \$65,671. The total cost of all programs and services increased by approximately \$154,000, or 10.0 %, with no new programs added this year. The increase in expenditures was primarily due to the increase in capital project expenditures.

The cost of all governmental activities this year was \$1,701,397 compared to \$1,547,418 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on Page 10, the amount taxpayers ultimately financed for these activities was only \$1,181,238 because some of the cost was paid by those directly benefited from these programs \$337,331 or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest \$182,828. Overall, the City's governmental activities receipts, including governmental aid and fees for service, decreased in 2014 from approximately \$1,574,000 to approximately \$1,508,371. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$988,000 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 Position of Business Type Activities

	Year Ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 330,407	\$ 345,451
Sewer utility	296,292	298,898
Storm sewer utility	35,885	41,188
Other	4,800	-
General receipts:		
Miscellaneous	16,476	35,526
Total receipts	<u>\$ 683,860</u>	<u>\$ 721,063</u>
Disbursements and transfers:		
Water	\$ 359,153	\$ 184,922
Sewer Utility	586,842	266,730
Storm sewer utility	18,745	20,431
Other	2,570	3,843
Total disbursements	<u>\$ 967,310</u>	<u>\$ 475,926</u>
Change in cash basis net position before transfers	\$ -283,450	\$ 245,137
Transfers, net	48,504	-
Change in cash basis net position	<u>\$ -234,946</u>	<u>\$ 245,137</u>
Cash basis net position beginning of year	<u>\$ 484,883</u>	<u>\$ 239,746</u>
Cash basis net position end of year	<u>\$ 249,937</u>	<u>\$ 484,883</u>

Total business type activities receipts for the fiscal year were \$683,860 compared to \$721,063 last year. This decrease was due primarily to decreased receipts in charges for service. The cash balance decreased by approximately \$234,900 from the prior year. Total disbursements for the fiscal year increased by 200% or approximately \$491,384 due to the increase in Sewer Utility expenditures for the capital improvements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ackley completed the year, its governmental funds reported a combined fund balance of \$1,288,277, a decrease of more than \$241,500 below last year's adjusted total of \$1,529,807. 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 \$85,929 from the prior year to -\$278,063, due to a decrease in charge for services receipts of approximately \$45,000.
- The Road Use Tax Fund cash balance increased by \$70,094 to -\$74,489 during the fiscal year. This increase was attributable to a \$54,835 transfer to close the Capital Project Street Project account.
- The Fire Expendable Trust cash balance increased by \$30,492 to \$211,033. The increase was due to an increase in contributions.

- The Tax Increment Financing Fund cash balance decreased by \$71,181 to \$87,966 during the fiscal year. The decrease was due to transfers to other funds.
- The Capital Reserve Endowment Fund cash balance remained unchanged during the year ended June 30, 2014.
- The Debt Service Fund cash balance decreased by \$45 to \$14,186 during the fiscal year.
- The Capital Projects Funds cash balance decreased by \$187,756 to \$289,957 during the year ended June 30, 2014. The decrease was due to increased expenditures.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$12,270 to \$211,672 due to an increase 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 \$242,046 to -\$158,461 due to increased capital improvements.
- The Storm Sewer Utility Fund cash balance increased by \$17,140 to \$65,629 due to a decrease in expenditures.

BUDGETARY HIGHLIGHTS

The City’s receipts were \$31,908 more than budgeted. This was primarily due to the City receiving more from intergovernmental resources than anticipated.

Total disbursements were \$220,665 more than the budget. This was primarily due to the expenditures for public works and capital projects were more than anticipated.

The City exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, general governmental, capital projects and debt service functions.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$768,078 in bonds and other long-term debt, compared to \$795,340 in 2013, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2014	2013
General obligation notes	\$ 410	\$ 540
Revenue notes	100	115
Capital Lease	258	140
Total	\$ 768	\$ 795

Debt decreased by 3.4% 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 \$768,078 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 2015 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

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 450,398	\$ 90,526	\$ -	\$ -
Public works	342,072	202,960	159,682	-
Health and social services	1,254	-	-	-
Culture and recreation	186,098	43,845	23,146	-
Community and economic development	41,840	-	-	-
General government	175,588	-	-	-
Debt service	196,528	-	-	-
Capital projects	307,619	-	-	-
Total governmental activities	\$ 1,701,397	\$ 337,331	\$ 182,828	\$ -
Business type activities:				
Water	\$ 359,153	\$ 330,407	\$ -	\$ -
Sewer utility	586,842	296,292	-	-
Storm sewer utility	18,745	35,885	-	-
Other	2,570	-	-	-
Total business type activities	\$ 967,310	\$ 662,584	\$ -	\$ -
Total	\$ 2,668,707	\$ 999,915	\$ 182,828	\$ -
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				
Excess (deficiency) of receipts over (under) disbursements				
Net other financing sources				
Change in cash basis net position				
Cash basis net position, beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
\$ -359,872	\$ -	\$ -359,872
20,570	-	20,570
-1,254	-	-1,254
-119,107	-	-119,107
-41,840	-	-41,840
-175,588	-	-175,588
-196,528	-	-196,528
-307,619	-	-307,619
<u>\$ -1,181,238</u>	<u>\$ -</u>	<u>\$ -1,181,238</u>
\$ -	\$ -28,746	\$ -28,746
-	-290,550	-290,550
-	17,140	17,140
-	-2,570	-2,570
<u>\$ -</u>	<u>\$ -304,726</u>	<u>\$ -304,726</u>
<u>\$ -1,181,238</u>	<u>\$ -304,726</u>	<u>\$ -1,485,964</u>
\$ 477,035	\$ -	\$ 477,035
186,818	-	186,818
9,539	-	9,539
155,001	-	155,001
70,946	-	70,946
84,466	21,276	105,742
4,407	-	4,407
<u>\$ 988,212</u>	<u>\$ 21,276</u>	<u>\$ 1,009,488</u>
\$ -193,026	\$ -283,450	\$ -476,476
-48,504	48,504	-
<u>\$ -241,530</u>	<u>\$ -234,946</u>	<u>\$ -476,476</u>
1,529,807	484,883	2,014,690
<u>\$ 1,288,277</u>	<u>\$ 249,937</u>	<u>\$ 1,538,214</u>
\$ 58,672	\$ -	\$ 58,672
14,186	-	14,186
1,493,482	131,097	1,624,579
-278,063	118,840	-159,223
<u>\$ 1,288,277</u>	<u>\$ 249,937</u>	<u>\$ 1,538,214</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, 2014

	Special Revenue			
	General	Urban Renewal Tax Increment Financing	Road Use Tax	Capital Reserve Endowment
Receipts:				
Property tax	\$ 332,393	\$ -	\$ -	\$ -
Tax increment financing	-	9,539	-	-
Use of money and property	97,319	-	-	-
Other city tax	61,329	-	-	-
Licenses and permits	3,584	-	-	-
Intergovernmental	35,533	-	159,682	-
Charges for service	249,799	-	-	-
Special assessments	-	-	-	-
Miscellaneous	47,231	-	-	-
Total receipts	\$ 827,188	\$ 9,539	\$ 159,682	\$ -
Disbursements:				
Operating:				
Public safety	\$ 429,330	\$ -	\$ -	\$ -
Public works	170,507	-	171,565	-
Health and social services	1,254	-	-	-
Culture and recreation	172,544	-	-	-
Community and economic development	27,104	11,986	-	-
General government	175,558	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	\$ 976,297	\$ 11,986	\$ 171,565	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ -149,109	\$ -2,447	\$ -11,883	\$ -
Other financing sources (uses):				
Operating transfers in	181,960	-	81,977	-
Operating transfers out	-118,780	-68,734	-	-
Change in cash balances	\$ -85,929	\$ -71,181	\$ 70,094	\$ -
Cash balances beginning of year	-192,134	159,147	-144,583	915,325
Cash balances end of year	\$ -278,063	\$ 87,966	\$ -74,489	\$ 915,325
Cash Basis Fund Balances				
Nonspendable – Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Special Revenue	-	87,966	-74,489	915,325
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-278,063	-	-	-
Total cash basis fund balances	\$ -278,063	\$ 87,966	\$ -74,489	\$ 915,325

See notes to financial statements

Employee Benefits	Fire Expendable Trust	Debt Service	Capital Projects Capital Project	Non-major	Total
\$ 130,549	\$ -	\$ 181,324	\$ -	\$ -	\$ 644,266
-	-	-	-	-	9,539
-	6	-	-	28	97,353
3,812	-	5,253	116,251	-	186,645
-	-	-	-	-	3,584
175	12,105	241	-	4,138	211,874
-	-	-	-	-	249,799
-	-	-	3,841	-	3,841
-	39,449	-	-	14,790	101,470
\$ 134,536	\$ 51,560	\$ 186,818	\$ 120,092	\$ 18,956	\$ 1,508,371
\$ -	\$ 21,068	\$ -	\$ -	\$ -	\$ 450,398
-	-	-	-	-	342,072
-	-	-	-	-	1,254
-	-	-	-	13,554	186,098
-	-	-	-	2,750	41,840
-	-	-	-	30	175,588
-	-	196,528	-	-	196,528
-	-	-	307,619	-	307,619
\$ -	\$ 21,068	\$ 196,528	\$ 307,619	\$ 16,334	\$ 1,701,397
\$ 134,536	\$ 30,492	\$ -9,710	\$ -187,527	\$ 2,622	\$ -193,026
-	-	9,665	-	102,432	376,034
-134,536	-	-	-229	-102,259	-424,538
\$ -	\$ 30,492	\$ -45	\$ -187,756	\$ 2,795	\$ -241,530
-	180,541	14,231	477,713	119,567	1,529,807
\$ -	\$ 211,033	\$ 14,186	\$ 289,957	\$ 122,362	\$ 1,288,277
\$ -	\$ -	\$ -	\$ -	\$ 58,672	\$ 58,672
-	211,033	-	-	63,690	1,203,525
-	-	14,186	-	-	14,186
-	-	-	289,957	-	289,957
-	-	-	-	-	-278,063
\$ -	\$ 211,033	\$ 14,186	\$ 289,957	\$ 122,362	\$ 1,288,277

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, 2014

	Enterprise Funds	
	Water	Water Improvement Reserve
Operating receipts:		
Charges for service	\$ 330,407	\$ -
Miscellaneous	16,476	-
Total operating receipts	\$ 346,883	\$ -
Operating disbursements:		
Business type activities	\$ 359,153	\$ -
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ -12,270	\$ -
Non-operating receipts (disbursements):		
Debt service	-	-
Excess (deficiency) of receipts over (under) disbursements	\$ -12,270	\$ -
Other financing sources (uses):		
Operating transfer in	-	-
Change in cash balances	\$ -12,270	\$ -
Cash balances beginning of year	223,942	109,373
Cash balances end of year	\$ 211,672	\$ 109,373
Cash Basis Fund Balances		
Unrestricted	\$ 211,672	\$ -
Restricted	-	109,373
Total cash basis fund balance	\$ 211,672	\$ 109,373

See notes to financial statements.

Enterprise Funds				
Sewer Utility	Storm Sewer Utility	Non-major	Total	
\$ 296,292	\$ 35,885	\$ 4,800	\$ 667,384	
-	-	-	16,476	
\$ 296,292	\$ 35,885	\$ 4,800	\$ 683,860	
\$ 565,805	\$ 18,745	\$ 2,570	\$ 946,273	
\$ -269,513	\$ 17,140	\$ 2,230	\$ -262,413	
-21,037	-	-	-21,037	
\$ -290,550	\$ 17,140	\$ 2,230	\$ -283,450	
48,504	-	-	48,504	
\$ -242,046	\$ 17,140	\$ 2,230	\$ -234,946	
83,585	48,489	19,494	484,883	
\$ -158,461	\$ 65,629	\$ 21,724	\$ 249,937	
\$ -158,461	\$ 65,629	\$ -	\$ 118,840	
-	-	21,724	131,097	
\$ -158,461	\$ 65,629	\$ 21,724	\$ 249,937	

City of Ackley, Iowa

Notes to Financial Statements

June 30, 2014

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 Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories.

Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported 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 Urban Renewal Tax Increment is used to account for tax increment financing collections and the replacement of tax increment financing indebtedness.

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 Employee Benefits Fund is utilized to account for property taxes collected for use in employee benefits.

The Fire Expendable Trust is utilized to account for the fire department receipts and expenditures.

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 other information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, general government, capital projects and debt service functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City’s deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
US Treasury bonds	\$915,325	\$1,059,559	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
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	\$410,000	\$30,563	\$100,000	\$14,660	\$510,000	\$45,223

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 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, 2014, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

NOTE 4 – CAPITAL LEASES

The City entered into a capital lease for the purchase of a street sweeper on September 28, 2012 for \$177,960, with a 2.85% interest rate. Annual payments are \$37,619.94, ending September 2016.

The City entered into a capital lease for the purchase of a police car on November 18, 2013 for \$27,447, with a 5.75% interest rate. Annual payments are \$9,664.99, ending November 2015.

The City entered into a capital lease for the purchase of two new loaders on April 23, 2014 for \$133,576, with a 3.29% interest rate. Annual payments are \$29,450.72, ending April 2019.

NOTE 5 – 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 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary except for police employees, in which case the percentages are 6.76% and 10.14%, respectively. Contribution requirements are established by state statute. The City’s contribution to IPERS for the year ended June 30, 2014 was \$54,185, equal to the required contribution for the year.

NOTE 6 – 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 7 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 \$536.90 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$41,959.55.

NOTE 7 – 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, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick Leave	\$5,555

This liability has been computed based on rates of pay at June 30, 2014.

NOTE 8 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Police Car Expendable Trust	\$ 7,019
General	Special Revenue: Health Insurance Trust	3,800
General	Special Revenue: Swimming Pool Trust	100
General	Special Revenue: Tourism Foundation Trust	36,505
General	Special Revenue: Employee Benefits	134,536
Special Revenue: Road Use Tax	Capital Projects: Street Project	54,835
Special Revenue: Road Use Tax	General	27,142
Debt Service	General	9,665
Special Revenue: Urban Renewal	Urban Renewal Tax Increment Financing	20,230
Enterprise: Sewer Utility	Urban Renewal Tax Increment Financing	48,504
Special Revenue: Save the Depot	General	81,973
Capital Project: Daycare Project	Capital Project	229
		<hr/>
Total		<u>\$ 424,538</u>

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

NOTE 9 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$38,255 during the year ended June 30, 2014.

NOTE 10 – 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, 2014 were \$214,595.

NOTE 11 – 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 12 – DEFICIT BALANCES

At June 30, 2014, the General Fund had a \$278,063 deficit balance. Special Revenue Funds – Road Use Tax had a deficit balance of \$74,490 at June 30, 2014. Enterprise Fund – Sewer Utility had a \$158,461 deficit balance at June 30, 2014. 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 13 – 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 14 – SUBSEQUENT EVENTS

The City has entered into several contracts for sewer and water improvements totaling \$510,376 and \$13,330 in asbestos removal.

The City issued a \$785,000 GO Capital Loan Note on July 15, 2014, part of the proceeds will pay off the series 2009B Capital Loan Note of \$410,000 plus interest.

The City has a wrongful termination suit in process at the date of this report.

The City has evaluated subsequent events through November 11, 2014, which is the date that the financial statements were available to be issued.

NOTE 15 – PROSPECTIVE ACCOUNTING CHANGE

The Government Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

OTHER 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, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 644,266	\$ -
Tax increment financing collections	9,539	-
Other city tax	186,645	-
Licenses and permits	3,584	-
Use of money and property	97,353	-
Intergovernmental	211,874	-
Charges for service	249,799	667,384
Special assessments	3,841	-
Miscellaneous	101,470	16,476
Total receipts	<u>\$ 1,508,371</u>	<u>\$ 683,860</u>
Disbursements:		
Public safety	\$ 450,398	\$ -
Public works	342,072	-
Health and social services	1,254	-
Culture and recreation	186,098	-
Community and economic development	41,840	-
General government	175,588	-
Debt service	196,528	21,037
Capital projects	307,619	-
Business type activities	-	946,273
Total disbursements	<u>\$ 1,701,397</u>	<u>\$ 967,310</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -193,026	\$ -283,450
Net other financing sources (uses)	<u>-48,504</u>	<u>48,504</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -241,530	\$ -234,946
Balances beginning of year	<u>1,529,807</u>	<u>484,883</u>
Balances end of year	<u>\$ 1,288,277</u>	<u>\$ 249,937</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts	Final to Net Variance
\$ 644,266	\$ 645,124	\$ -858
9,539	-	9,539
186,645	162,714	23,931
3,584	3,700	-116
97,353	93,893	3,460
211,874	177,239	34,635
917,183	982,453	-65,270
3,841	-	3,841
117,946	95,200	22,746
<u>\$ 2,192,231</u>	<u>\$ 2,160,323</u>	<u>\$ 31,908</u>
\$ 450,398	\$ 510,670	\$ 60,272
342,072	190,975	-151,097
1,254	3,000	1,746
186,098	166,509	-19,589
41,840	19,170	-22,670
175,588	137,276	-38,312
217,565	186,764	-30,801
307,619	202,600	-105,019
946,273	1,031,088	84,815
<u>\$ 2,668,707</u>	<u>\$ 2,448,052</u>	<u>\$ -220,655</u>
\$ -476,476	\$ -287,729	\$ -188,747
-	-	-
\$ -476,476	\$ -287,729	\$ -188,747
2,014,690	1,568,655	446,035
<u>\$ 1,538,214</u>	<u>\$ 1,280,926</u>	<u>\$ 257,288</u>

City of Ackley, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds 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 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, 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, 2014, disbursements exceeded the amount budgeted in the Public Works, Culture and Recreation, Community and Economic Development, General Government, Capital Projects and Debt Service functions.

Supplementary Information

City of Ackley, Iowa

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

Year ended June 30, 2014

	Special Revenue					
	Cougar Den	Police Car Expendable Trust	Ambulance Expendable Trust	Health Insurance Trust	Urban Renewal	Library Board
Receipts:						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-	-	-
Use of money and property	-	-	21	-	-	-
Other city taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	4,138
Charges for service	-	-	-	-	-	-
Miscellaneous	477	-	7,317	-	-	6,396
Total receipts	\$ 477	\$ -	\$ 7,338	\$ -	\$ -	\$ 10,534
Disbursements:						
Operating:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,554
Community and economic development	-	-	-	-	2,750	-
General government	-	-	-	-	-	-
Total disbursements	\$ -	\$ -	\$ -	\$ -	\$ 2,750	\$ 13,554
Excess (deficiency) of receipts over (under) disbursements	\$ 477	\$ -	\$ 7,338	\$ -	\$ -2,750	\$ -3,020
Other financing uses:						
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ 20,230	\$ -
Operating transfers out	-	-7,019	-	-3,800	-	-
Change in cash balances	\$ 477	\$ -7,019	\$ 7,338	\$ -3,800	\$ 17,480	\$ -3,020
Cash balances beginning of year	-	7,019	7,794	3,800	-17,480	46,703
Cash balances end of year	\$ 477	\$ -	\$ 15,132	\$ -	\$ -	\$ 43,683
Cash Basis Fund Balances						
Restricted for:						
Special revenue funds	\$ 477	\$ -	\$ 15,132	\$ -	\$ -	\$ 43,683
Capital project funds	-	-	-	-	-	-
Nonspendable – cemetery perpetual care	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	\$ 477	\$ -	\$ 15,132	\$ -	\$ -	\$ 43,683

See accompanying independent auditor's report.

Special Revenue							Permanent	
Swimming Pool Trust	Tourism Foundation Trust	Save The Depot	Capital Projects		Daycare Project	Street Project	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-	28
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4,138
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	600	14,790
\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600	\$ 18,956
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,554
-	-	-	-	-	-	-	-	2,750
-	-	-	-	-	-	-	30	30
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 16,334
\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 570	\$ 2,622
\$ -	\$ -	\$ 81,973	\$ 229	\$ -	\$ -	\$ -	\$ -	\$ 102,432
-100	-36,505	-	-	-54,835	-	-	-	-102,259
\$ -93	\$ -36,505	\$ 81,973	\$ 229	\$ -54,835	\$ 570	\$ -	\$ -	\$ 2,795
4,491	36,505	-81,973	-229	54,835	58,102	-	-	119,567
\$ 4,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,672	\$ 122,362
\$ 4,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,690
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	58,672	58,672
-	-	-	-	-	-	-	-	-
\$ 4,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,672	\$ 122,362

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, 2014

	Water Reserve Sinking	Water Deposits	Total
Operating receipts:			
Charges for service	\$ -	\$ 4,800	\$ 4,800
Operating disbursements:			
Business type activities	\$ -	\$ 2,570	\$ 2,570
Change in cash balances	\$ -	\$ 2,230	\$ 2,230
Cash balances beginning of year	6,511	12,983	19,494
Cash balances end of year	\$ 6,511	\$ 15,213	\$ 21,724
Cash Basis Fund Balances			
Restricted:			
Other	\$ 6,511	\$ 15,213	\$ 21,724

City of Ackley, Iowa
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
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
Capital lease – Street cleaner	September 28, 2013	2.85%	\$177,960
Capital lease – Police car	November 18, 2013	5.75%	\$27,447
Capital lease – Loaders	April 23, 2014	3.29%	\$133,576
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
\$540,000	\$-	\$130,000	\$410,000	\$18,743	\$-
\$115,000	\$-	\$15,000	\$100,000	\$5,537	\$-
\$140,340	\$-	\$33,620	\$106,720	\$4,000	\$-
-	27,447	9,665	17,782	-	-
-	133,576	-	133,576	-	-
\$140,340	\$161,023	\$43,285	\$258,078	\$4,000	\$-
\$795,340	\$161,023	\$188,285	\$768,078	\$28,280	\$-

City of Ackley, Iowa

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Capital Loan Notes	
	Essential Corporate Purpose	
	Issued July 15, 2009	
	Interest Rate	Amount
2015	3.35%	\$135,000
2016	3.60%	135,000
2017	3.90%	140,000
		<u>\$410,000</u>

Year Ending June 30,	Revenue Notes	
	Sewer Revenue	
	Capital Loan Notes	
	Issued November 1, 2004	
	Interest Rate	Amount
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>\$100,000</u>

Year Ending June 30,	Capital Lease – Street Cleaner	
	Essential Corporate Purpose	
	Issued September 28, 2013	
	Interest Rate	Amount
2015	2.85%	\$34,578
2016	2.85%	35,564
2017	2.85%	36,578
		<u>\$106,720</u>

City of Ackley, Iowa

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	Capital Lease ~ Police Car	
	Essential Corporate Purpose	
	Issued November 18, 2013	
	Interest Rate	Amount
2015	5.75%	\$8,643
2016	5.75%	9,139
		<u>\$17,782</u>

Year Ending June 30,	Capital Lease - Loaders	
	Essential Corporate Purpose	
	Issued April 23, 2014	
	Interest Rate	Amount
2015	3.29%	\$24,989
2016	3.29%	25,824
2017	3.29%	26,686
2018	3.29%	27,578
2019	3.29%	28,499
		<u>\$133,576</u>

City of Ackley, Iowa

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

For the Last Nine Years

	2014 (Audited)	2013 (Audited)	2012 (Audited)	2011 (Audited)	2010 (Audited)
Receipts:					
Property tax	\$ 644,266	\$ 624,047	\$ 586,045	\$ 585,921	\$ 565,336
Tax increment financing collection	9,539	57,628	110,366	70,623	-
Other city tax	186,645	175,731	166,525	190,110	164,545
Licenses and permits	3,584	3,130	3,406	3,352	3,392
Use of money and property	97,353	96,718	95,680	92,794	99,945
Intergovernmental	211,874	241,961	1,087,652	625,664	271,518
Charges for service	249,799	295,116	290,413	340,888	324,639
Special assessments	3,841	5,025	4,905	-	1,533
Miscellaneous	101,470	74,686	67,322	118,628	75,262
Total	\$ 1,508,371	\$ 1,574,042	\$ 2,412,314	\$ 2,027,980	\$ 1,506,170
Disbursements:					
Operating:					
Public safety	\$ 450,398	\$ 502,256	\$ 455,858	\$ 643,121	\$ 363,202
Public works	342,072	361,919	342,411	357,926	351,043
Health and social services	1,254	-	893	5,292	2,165
Culture and recreation	186,098	196,395	194,108	201,070	288,988
Community and economic development	41,840	35,039	7,104	16,919	125,355
General government	175,588	129,943	134,543	106,963	122,300
Debt service	196,528	216,237	182,105	180,005	185,985
Capital projects	307,619	105,629	1,010,368	566,197	429,774
Total	\$ 1,701,397	\$ 1,547,418	\$ 2,327,390	\$ 2,077,493	\$ 1,868,812

See accompanying independent auditor's report.

2009	2008	2007	2006
(Unaudited)	(Audited)	(Unaudited)	(Audited)
\$ 516,033	\$ 475,901	\$ 465,543	\$ 502,911
-	-	-	-
153,149	164,197	163,508	137,099
3,127	3,492	3,959	3,180
98,797	122,177	107,843	108,230
304,826	200,883	195,484	200,113
314,006	278,361	277,098	320,301
873	8,123	1,343	6,146
85,157	48,600	45,781	61,798
<u>\$ 1,475,968</u>	<u>\$ 1,301,734</u>	<u>\$ 1,260,559</u>	<u>\$ 1,339,778</u>

\$ 431,436	\$ 348,777	\$ 346,111	\$ 419,248
405,274	367,492	332,011	346,417
4,048	3,650	2,627	2,675
217,606	185,364	169,069	188,541
124,754	129,806	16,312	3,000
126,837	112,194	94,927	107,031
755,518	161,600	199,128	206,600
90,716	173,877	25,177	219,486
<u>\$ 2,156,189</u>	<u>\$ 1,482,760</u>	<u>\$ 1,185,362</u>	<u>\$ 1,492,998</u>

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

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 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, the 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, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 11, 2014. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Ackley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ackley's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and 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 in internal control described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-E-14 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 I of the accompanying Schedule of Findings as item I-F-14 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Ackley's Responses to the Findings

The City of Ackley's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of Ackley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 11, 2014

City of Ackley, Iowa
Schedule of Findings
Year ended June 30, 2014

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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.

I-B-14 Treasurer’s Report – The financial statement report, “Treasurer’s report reconciliation to the clerk’s balance” at June 30, 2014 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.

I-C-14 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, 2014

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

I-D-13 Disbursements – Supporting documentation was not available to substantiate \$910 of costs.

Recommendation – The City should implement procedures to ensure supporting documentation is retained, prior to payment.

Response and planned corrective action – Supporting documents will be obtained prior to payment.

Conclusion – Response accepted.

I-E-14 Computer Software – The City is using an outdated software program. The system is not correctly reporting the City's activities, outstanding checks on the balance sheet are not posted correctly and there were some accounts where year-to-date totals did not add up correctly. The City cannot rely on its financial statements generated by this program.

Recommendation – Replace the computer program as soon as possible.

Response and planned corrective action – We are looking into new software.

Conclusion – Response accepted.

I-F-14 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, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 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.

II-B-14 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.

II-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 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 Dags, Mayor, Owner of Ackley Publishing	Publications	\$3,565
Tim Eichmeier, Fire Chief, Owner of Eichmeier Motor	Repairs	\$6,569
Dale Brass, Council Member, Owner of Sailer Ford	Repairs	\$674
Dale Brass, Council Member, Owner of Sailer Ford	Purchase Police Car	\$27,447

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the mayor do not appear to represent a conflict of interest since total transaction with the individuals were less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Fire Chief, Tim Eichmeier, may represent a conflict of interest since competitive bidding was not utilized for all transactions and the total of the transactions was in excess \$1,500.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member, Dale Brass, for the purchase of the police car, may represent a conflict of interest since competitive bidding was not utilized for and the transaction was in excess of \$1,500.

Recommendation – The City should use competitive bidding process when practicable.

Response – The transactions were normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

Conclusion – Response accepted.

II-E-14 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.

City of Ackley, Iowa
Schedule of Findings
Year ended June 30, 2014

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

II-F-14 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 several of the public hearings without closing the public hearing first.

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

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

Conclusion – Response accepted.

II-G-14 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.

II-H-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

II-I-14 Financial Condition – The General Fund, Special Revenue Funds – Road Use Tax and the Enterprise Fund – Sewer Utility had deficit balances of -\$278,063, -\$74,490 and -\$158,461 respectively, at June 30, 2014.

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.

II-J-14 Petty Cash – It was noted that the petty cash fund was used for mileage and a storm sewer refund.

Recommendations – The City should write checks for reimbursement of travel expenditures and refunds 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.

II-K-14 Payroll Reports – It was noted that the 2014 first quarter of the Iowa Workforce Development report was incorrectly reported.

Recommendation – The City should amend this report as soon as possible.

Response – We will do this.

Conclusion – Response accepted.

City of Ackley, Iowa
Schedule of Findings
Year ended June 30, 2014

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

II-L-14 Urban Renewal Annual Report – The urban renewal annual report for fiscal year 2013, was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on January 2, 2014.

In addition, the following exceptions were noted:

The County Auditor reconciled the TIF increment tax apportioned in all prior fiscal years and found that the City was over paid by \$26,042 per the County Auditor’s report. In May 2013 the City refunded Hardin County Treasurer the TIF overpayment of \$28,088.86.

The beginning cash balance didn’t match the fiscal year 2012’s ending cash balance.

Recommendation – The City should file the urban renewal annual report timely and accurately in the future.

Response – The reports will be filed properly in the future.

Conclusion – Response accepted.

II-M-14 Police Department Vehicle Purchase – Iowa Code Chapter 68B.3 establishes procedures for the obligation and expenditure of municipal funds when public competitive bid procedures are required. Section I states, in part:

“...any goods or services having a value in excess of two thousand dollars to any state agency unless the sale is made pursuant to an award or contract let after public notice and competitive bidding.” The competitive bid must be in writing, publicly invited and opened.

The City Council approved the bid from Sailer Ford for \$25,880 on April 10, 2013. The bids for the police car were obtained privately. They were not opened during a public meeting and the bids received were not published.

This transaction represents a conflict of interest because the City did not utilize a proper competitive bidding process. Sailer Ford is a related party. Council member Dale Brass is the owner.

Recommendation – The City should comply with the Iowa Code and should review its procedures for competitive bidding, conflicts of interest and publications.

Response – We will comply with the Code requirements.

Conclusion – Response acknowledged.