

CITY OF ACKLEY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
& SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2015

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**City of Ackley**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Josh Gronewold	Council Member	December 31, 2015
Cyndee Roskens	City Clerk	Indefinite
Mike Smith	Attorney	Indefinite

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, 2015, 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, 2015, and the respective changes in its 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.

### Emphasis on a Matter

As disclosed in Note 6 to the financial statements, the City of Ackley adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

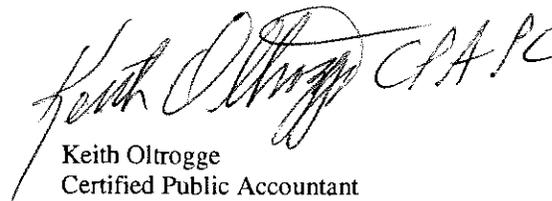
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2014, (which are not presented herein) and expressed unmodified 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 to the 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, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 4 through 9 and 22 through 26 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 December 22, 2015 on my consideration of the City of Ackley's internal control over financial reporting and on 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.

 CPA, PC  
Keith Oltrogge  
Certified Public Accountant

December 22, 2015

## City of Ackley

### Management's Discussion and Analysis

#### For the Fiscal Year Ended June 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 89% or \$1,045,425 from fiscal 2014 to fiscal 2015. Property tax and capital grants, contributions and restricted interest revenues increased \$130,426 and \$171,013 respectively. The primary reason for the increase was due to the \$815,470 in new bond and loan proceeds.
- Disbursements of the City's governmental activities increased 61.6%, or \$1,047,693, in fiscal 2015 from fiscal 2014. Debt Service disbursements increased \$427,282.
- The City's total cash basis net position increased 13%, or \$190,210 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis – net position of the governmental activities increased \$102,803 and the cash basis – net position of the business type activities increased by \$87,407.

#### 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 financial 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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental and business type 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, readers 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 and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is 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 statement for proprietary funds is 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 increased from a year ago, from (adjusted) \$1,288,277 to \$1,390,180. The analysis that follows focuses on the changes in cash basis – net position of governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2015	2014
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 514,304	\$ 337,331
Operating grants, contributions and restricted interest	191,821	182,828
Capital grants, contributions and restricted interest	71,070	-
General receipts:		
Property tax	803,818	673,392
Local option sales tax	171,013	155,001
Unrestricted investment earnings	74,458	70,946
Other general receipts	209,939	88,873
Bond and loan proceeds	815,470	-
Total receipts	<u>\$ 2,851,893</u>	<u>\$ 1,508,371</u>
Disbursements:		
Public safety	\$ 592,651	\$ 450,398
Public works	344,072	342,072
Health and social services	2,964	1,254
Culture and recreation	309,853	186,098
Community and economic development	62,877	41,840
General government	289,424	175,588
Debt service	623,810	196,528
Capital projects	523,439	307,619
Total disbursements and transfers	<u>\$ 2,749,090</u>	<u>\$ 1,701,397</u>
Change in cash basis net position before transfers	\$ 102,803	\$ -193,026
Transfers	-	-48,504
Change in cash basis net position	<u>\$ 102,803</u>	<u>\$ -241,530</u>
Cash basis net position beginning of year	<u>1,288,277</u>	<u>1,529,807</u>
Cash basis net position end of year	<u>\$ 1,391,080</u>	<u>\$ 1,288,277</u>

The City's total receipts for governmental activities increased by 89%, or \$1,343,522. The total cost of all programs and services increased by approximately \$1,047,693, or 61.6 %, with no new programs added this year. The increase in expenditures was primarily due to repayment of debt.

The cost of all governmental activities this year was \$2,749,090 compared to \$1,701,397 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 \$1,971,895 because some of the cost was paid by those directly benefited from the programs (approximately \$514,000) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (approximately \$263,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2015 from \$1,508,371 to \$2,851,893.

**Changes in Cash Basis Net Position of Business Type Activities**

	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 359,363	\$ 330,407
Sewer utility	324,315	296,292
Storm sewer utility	48,359	35,885
Other	2,365	4,800
General receipts:		
Miscellaneous	13,618	16,476
Total receipts	<u>\$ 748,020</u>	<u>\$ 683,860</u>
Disbursements and transfers:		
Water	\$ 331,310	\$ 359,153
Sewer Utility	288,002	586,842
Storm sewer utility	39,716	18,745
Other	1,585	2,570
Total disbursements	<u>\$ 660,613</u>	<u>\$ 967,310</u>
Change in cash basis net position before transfers	\$ 87,407	\$ -283,450
Transfers, net	-	48,504
Change in cash basis net position	<u>\$ 87,407</u>	<u>\$ -234,946</u>
Cash basis net position beginning of year	<u>\$ 249,937</u>	<u>\$ 484,883</u>
Cash basis net position end of year	<u>\$ 337,344</u>	<u>\$ 249,937</u>

Total business type activities receipts for the fiscal year were \$748,020 compared to \$683,860 last year. This increase was due primarily to increased receipts in charges for service. The cash balance increased by \$87,407 from the prior year. Total disbursements for the fiscal year decreased by 32% or \$298,840 due to the decrease 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 \$1,391,080, an increase of more than \$102,803 above last year's total of \$1,288,277. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$139,201 from the prior year to -\$138,862, due to an increase in charge for services receipts of approximately \$138,000.
- The Special Revenue Road Use Tax Fund cash balance increased by \$6,975 to -\$67,514 during the fiscal year. This increase was attributable to \$2,987 in DOT grants and an increase in road use tax collected.
- The Fire Expendable Trust cash balance increased by \$12,741 to \$223,774. The increase was due to an increase in contributions.

- The Capital Reserve Endowment Fund cash balance remained unchanged during the year ended June 30, 2015.
- The Debt Service Fund cash balance decreased by \$25,601 to -\$11,415 during the fiscal year.
- The Capital Projects Funds cash balance increased by \$476,294 to \$766,251 during the year ended June 30, 2015. The increase was due to the issuance of \$785,000 in general obligation bonds.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased by \$41,671 to \$253,343 due to an increase in revenue.
- The Enterprise, Water Improvement Reserve cash balance remained the same at \$109,373 during the fiscal year. No activity took place during the year.
- The Enterprise, Sewer Utility Fund cash balance increased by \$36,313 to -\$122,148 due to increased revenue.
- The Enterprise, Storm Sewer Utility Fund cash balance increased by \$8,643 to \$74,272 due to an increase in revenue.

**BUDGETARY HIGHLIGHTS**

The City’s receipts were \$413,501 more than budgeted. This was primarily due to the City receiving more from intergovernmental resources than anticipated.

Total disbursements were \$983,758 more than the budget. This was primarily due to the expenditures for debt service and capital projects being more than anticipated.

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

**DEBT ADMINISTRATION**

At June 30, 2015, the City had \$969,337 of bonds and other long-term debt outstanding, compared to \$768,078 in 2014, as shown below.

Outstanding Debt at Year-End  
(Expressed in Thousands)

	June 30,	
	2015	2014
General obligation notes	\$ 650	\$ 410
Revenue notes	80	100
Capital lease	209	258
Bank loan	30	-
Total	\$ 969	\$ 768

Debt increased by 26.2% due to new debt.

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 \$969,337 is significantly below its constitutional debt limit of approximately \$2.7 million. Additional information about the City’s long-term debt is presented in Notes 3, 4 and 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Ackley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees 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**

**Cash Basis Statement of Activities and Net Position**

**As of and for the year ended June 30, 2015**

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 592,651	\$ 216,767	\$ 456	\$ 10,000
Public works	344,072	257,593	168,215	-
Health and social services	2,964	-	-	-
Culture and recreation	309,853	39,944	23,150	-
Community and economic development	62,877	-	-	61,070
General government	289,424	-	-	-
Debt service	623,810	-	-	-
Capital projects	523,439	-	-	-
Total governmental activities	\$ 2,749,090	\$ 514,304	\$ 191,821	\$ 71,070
Business type activities:				
Water	\$ 331,310	\$ 359,363	\$ -	\$ -
Sewer utility	288,002	324,315	-	-
Storm sewer utility	39,716	48,359	-	-
Other	1,585	-	-	-
Total business type activities	\$ 660,613	\$ 732,037	\$ -	\$ -
<b>Total</b>	\$ 3,409,703	\$ 1,246,341	\$ 191,821	\$ 71,070
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
Bond and loan proceeds				
<b>Total general receipts</b>				
Change in cash basis net position				
Cash basis net position, beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
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
\$ -365,428	\$ -	\$ -365,428
81,736	-	81,736
-2,964	-	-2,964
-246,759	-	-246,759
-1,807	-	-1,807
-289,424	-	-289,424
-623,810	-	-623,810
-523,439	-	-523,439
<u>\$ -1,971,895</u>	<u>\$ -</u>	<u>\$ -1,971,895</u>
\$ -	\$ 28,053	\$ 28,053
-	36,313	36,313
-	8,643	8,643
-	-1,585	-1,585
<u>\$ -1,971,895</u>	<u>\$ 71,424</u>	<u>\$ 71,424</u>
<u>\$ -1,971,895</u>	<u>\$ 71,424</u>	<u>\$ -1,900,471</u>
\$ 581,786	\$ -	\$ 581,786
200,325	-	200,325
21,707	-	21,707
171,013	-	171,013
74,458	-	74,458
126,819	15,983	142,802
83,120	-	83,120
815,470	-	815,470
<u>\$ 2,074,698</u>	<u>\$ 15,983</u>	<u>\$ 2,090,681</u>
\$ 102,803	\$ 87,407	\$ 190,210
1,288,277	249,937	1,538,214
<u>\$ 1,391,080</u>	<u>\$ 337,344</u>	<u>\$ 1,728,424</u>
\$ 58,658	\$ -	\$ 58,658
-11,415	-	-11,415
1,876,680	131,877	2,008,557
-532,843	205,467	-327,376
<u>\$ 1,391,080</u>	<u>\$ 337,344</u>	<u>\$ 1,728,424</u>

City of Ackley

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

As of and for the year ended June 30, 2015

	Special Revenue		
	General	Road Use Tax	Capital Reserve Endowment
Receipts:			
Property tax	\$ 351,879	\$ -	\$ -
Tax increment financing	-	-	-
Use of money and property	97,913	-	-
Other city tax	75,263	-	-
Licenses and permits	5,846	-	-
Intergovernmental	133,493	168,215	-
Charges for service	387,864	-	-
Special assessments	-	-	-
Miscellaneous	160,892	-	-
Total receipts	<u>\$ 1,213,150</u>	<u>\$ 168,215</u>	<u>\$ -</u>
Disbursements:			
Operating:			
Public safety	\$ 546,403	\$ -	\$ -
Public works	182,832	161,240	-
Health and social services	2,964	-	-
Culture and recreation	296,952	-	-
Community and economic development	15,183	-	-
General government	289,409	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 1,333,743</u>	<u>\$ 161,240</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -120,593</u>	<u>\$ 6,975</u>	<u>\$ -</u>
Other financing sources (uses):			
Bond proceeds	\$ -	\$ -	\$ -
Loan proceeds	30,470	-	-
Operating transfers in	242,719	-	-
Operating transfers out	-13,395	-	-
	<u>\$ 259,794</u>	<u>\$ -</u>	<u>\$ -</u>
Change in cash balances	<u>\$ 139,201</u>	<u>\$ 6,975</u>	<u>\$ -</u>
Cash balances beginning of year	-278,063	-74,489	915,325
Cash balances end of year	<u>\$ -138,862</u>	<u>\$ -67,514</u>	<u>\$ 915,325</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable – Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Special Revenue	-	-67,514	915,325
Debt service	-	-	-
Capital projects	-	-	-
Unassigned	-138,862	-	-
Total cash basis fund balances	<u>\$ -138,862</u>	<u>\$ -67,514</u>	<u>\$ 915,325</u>

See notes to financial statements

Employee Benefits	Fire Expendable Trust	Debt Service	Capital Projects		Non-major	Total
			Capital Project			
\$ 205,801	\$ -	\$ 192,157	\$ -	\$ -	\$ -	\$ 749,837
-	-	-	-	-	21,707	21,707
-	11	-	12,506	82	-	110,512
5,883	-	5,361	128,260	-	-	214,767
-	-	-	-	-	-	5,846
3,080	27,006	2,807	-	3,612	-	338,213
-	-	-	-	-	-	387,864
-	-	-	4,144	-	-	4,144
-	20,907	-	-	-	21,734	203,533
\$ 214,764	\$ 47,924	\$ 200,325	\$ 144,910	\$ 47,135	\$ -	\$ 2,036,423
\$ -	\$ 35,183	\$ -	\$ -	\$ 11,065	\$ -	\$ 592,651
-	-	-	-	-	-	344,072
-	-	-	-	-	-	2,964
-	-	-	-	12,901	-	309,853
-	-	-	-	47,694	-	62,877
-	-	-	-	15	-	289,424
-	-	623,810	-	-	-	623,810
-	-	-	523,439	-	-	523,439
\$ -	\$ 35,183	\$ 623,810	\$ 523,439	\$ 71,675	\$ -	\$ 2,749,090
\$ 214,764	\$ 12,741	\$ -423,485	\$ -378,529	\$ -24,540	\$ -	\$ -712,667
\$ -	\$ -	\$ -	\$ 785,000	\$ -	\$ -	\$ 785,000
-	-	-	-	-	-	30,470
-	-	425,839	482,267	-	-	1,150,825
-214,764	-	-27,955	-412,444	-482,267	-	-1,150,825
\$ -214,764	\$ -	\$ 397,884	\$ 854,823	\$ -482,267	\$ -	\$ 815,470
\$ -	\$ 12,741	\$ -25,601	\$ 476,294	\$ -506,807	\$ -	\$ 102,803
-	211,033	14,186	289,957	210,328	-	1,288,277
\$ -	\$ 223,774	\$ -11,415	\$ 766,251	\$ -296,479	\$ -	\$ 1,391,080
\$ -	\$ -	\$ -	\$ -	\$ 58,658	\$ -	\$ 58,658
-	223,774	-	-	38,844	-	1,110,429
-	-	-11,415	-	-	-	-11,415
-	-	-	766,251	-	-	766,251
-	-	-	-	-393,981	-	-532,843
\$ -	\$ 223,774	\$ -11,415	\$ 766,251	\$ -296,479	\$ -	\$ 1,391,080

City of Ackley

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

As of and for the year ended June 30, 2015

	Enterprise Funds	
	Water	Water Improvement Reserve
Operating receipts:		
Charges for service	\$ 359,363	\$ -
Miscellaneous	13,618	-
Total operating receipts	<u>\$ 372,981</u>	<u>\$ -</u>
Operating disbursements:		
Business type activities	<u>\$ 331,310</u>	<u>\$ -</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 41,671	\$ -
Non-operating receipts (disbursements):		
Debt service	-	-
Excess (deficiency) of receipts over (under) disbursements	\$ 41,671	\$ -
Cash balances beginning of year	211,672	109,373
Cash balances end of year	<u>\$ 253,343</u>	<u>\$ 109,373</u>
<b>Cash Basis Fund Balances</b>		
Unrestricted	\$ 253,343	\$ -
Restricted	-	109,373
Total cash basis fund balance	<u>\$ 253,343</u>	<u>\$ 109,373</u>

See notes to financial statements.

Enterprise Funds

Sewer Utility	Storm Sewer Utility	Non-major	Total
\$ 324,315	\$ 48,359	\$ -	\$ 732,037
-	-	2,365	15,983
\$ 324,315	\$ 48,359	\$ 2,365	\$ 748,020
\$ 262,632	\$ 10,265	\$ 1,585	\$ 605,792
\$ 61,683	\$ 38,094	\$ 780	\$ 142,228
-25,370	-29,451	-	-54,821
\$ 36,313	\$ 8,643	\$ 780	\$ 87,407
-158,461	65,629	21,724	249,937
\$ -122,148	\$ 74,272	\$ 22,504	\$ 337,344
\$ -122,148	\$ 74,272	\$ -	\$ 205,467
-	-	22,504	131,877
\$ -122,148	\$ 74,272	\$ 22,504	\$ 337,344

**City of Ackley**

**Notes to Financial Statements**

**June 30, 2015**

**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 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 enterprise 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 not paid from other funds.

Special Revenue:

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

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

The 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 receipts 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 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 position 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 City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, 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, 2015 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, 2015, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
US Treasury bonds	\$915,325	\$996,325	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) to 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 are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$170,000	\$14,600	\$20,000	\$3,750	\$190,000	\$18,350
2017	175,000	11,200	20,000	3,000	195,000	14,200
2018	35,000	7,700	20,000	2,020	55,000	9,720
2019	35,000	7,000	20,000	1,020	55,000	8,020
2020	35,000	6,300	-	-	35,000	6,300
2021	40,000	5,600	-	-	40,000	5,600
2022	40,000	4,800	-	-	40,000	4,800
2023	40,000	3,600	-	-	40,000	3,600
2024	40,000	2,400	-	-	40,000	2,400
2025	40,000	1,200	-	-	40,000	1,200
Total	\$650,000	\$64,400	\$80,000	9,790	\$730,000	\$74,190

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 23, 2014, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2015, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) 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, 2005, 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.

The City entered into a capital lease for the purchase of an ambulance on February 1, 2015 with a 0.0% interest rate. Quarterly payments are \$1,500.00 ending in 2019.

#### NOTE 5 – BANK LOAN

The City entered into a bank loan for the purchase of a new police car on February 27, 2015 with a 4.25% interest rate. Annual payments are \$10,782.58, ending August 2018.

#### NOTE 6 – PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing, multiple-employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

## NOTE 6 – PENSION PLAN (continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Police, Firefighters and Emergency Services members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.9 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$33,906.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$64,833. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0016348 percent, which was an increase of 0.0017515 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$11,643, \$33,906 and \$84,164 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTE 6 – PENSION PLAN (continued)**

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	-0.69
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at contractually required rates and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$242,631	\$64,833	-\$85,125

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available in IPERS’ website at [www.ipers.org](http://www.ipers.org).

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 6 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 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 benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$688.52 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$42,897.13 to the plan.

**NOTE 8 – 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 sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick Leave	\$5,366

This liability has been computed based on rates of pay in effect at June 30, 2015.

**NOTE 9 – INTER-FUND TRANSFERS**

The detail of inter-fund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 27,955
General	Special Revenue: Employee Benefits	214,764
Debt Service	Capital Projects	412,444
Debt Service	General	13,395
Capital Projects	Urban Renewal Tax Increment Financing	482,267
<b>Total</b>		<b>\$ 1,150,825</b>

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

**NOTE 10 – RELATED PARTY TRANSACTIONS**

The City had business transactions between the City and City officials totaling \$42,831 during the year ended June 30, 2015.

**NOTE 11 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

The City has issued \$435,000 of industrial development 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, 2015 were \$208,955.

**NOTE 12 – 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 13 – DEFICIT BALANCES**

At June 30, 2015, the General Fund had a \$138,862 deficit balance. Special Revenue Funds – Road Use Tax \$67,514, Urban Renewal Tax Increment Financing \$393,981, and Urban Renewal \$26,307, had deficit balances at June 30, 2015. Debt Service had an \$11,415 deficit balance at June 30, 2015. Enterprise Fund – Sewer Utility had a \$122,148 deficit balance at June 30, 2015. The deficit balances were a result of costs incurred prior to availability of funds. The deficits will be eliminated through tax collections and inter-fund transfers.

**NOTE 14 – 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 15 – SUBSEQUENT EVENTS**

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

The City has evaluated subsequent events through December 22, 2015, which is the date that the financial statements were available to be issued.

**NOTE 16 – CONTINGENT LIABILITY**

The City was notified of a leaking underground storage tank by the DNR with an estimated cost of \$76,215.38 for the clean-up.

## **OTHER INFORMATION**

**City of Ackley**  
**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, 2015**

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Property tax	\$ 749,837	\$ -
Tax increment financing collections	21,707	-
Other city tax	214,767	-
Licenses and permits	5,846	-
Use of money and property	110,512	-
Intergovernmental	338,213	-
Charges for service	387,864	732,037
Special assessments	4,144	-
Miscellaneous	203,533	15,983
Total receipts	<u>\$ 2,036,423</u>	<u>\$ 748,020</u>
Disbursements:		
Public safety	\$ 592,651	\$ -
Public works	344,072	-
Health and social services	2,964	-
Culture and recreation	309,853	-
Community and economic development	62,877	-
General government	289,424	-
Debt service	623,810	54,821
Capital projects	523,439	-
Business type activities	-	605,792
Total disbursements	<u>\$ 2,749,090</u>	<u>\$ 660,613</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -712,667	\$ 87,407
Net other financing sources (uses)	<u>815,470</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 102,803	\$ 87,407
Balances beginning of year	<u>1,288,277</u>	<u>249,937</u>
Balances end of year	<u>\$ 1,391,080</u>	<u>\$ 337,344</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts	Final to Total Variance
\$ 749,837	\$ 750,990	\$ -1,153
21,707	19,461	2,246
214,767	165,869	48,898
5,846	3,700	2,146
110,512	94,397	16,115
338,213	188,535	149,678
1,119,901	1,042,124	77,777
4,144	-	4,144
219,516	105,866	113,650
<u>\$ 2,784,443</u>	<u>\$ 2,370,942</u>	<u>\$ 413,501</u>

\$ 592,651	\$ 537,235	\$ -55,416
344,072	388,868	44,796
2,964	3,000	36
309,853	177,764	-132,089
62,877	57,271	-5,606
289,424	263,282	-26,142
678,631	213,821	-464,810
523,439	136,628	-386,811
605,792	648,076	42,284
<u>\$ 3,409,703</u>	<u>\$ 2,425,945</u>	<u>\$ -983,758</u>

\$ -625,260	\$ -55,003	\$ -570,257
815,470	-	815,470

\$ 190,210	\$ -55,003	\$ 245,213
1,538,214	1,375,566	162,648
<u>\$ 1,728,424</u>	<u>\$ 1,320,563</u>	<u>\$ 407,861</u>

**City of Ackley**

**Notes to Other Information – Budgetary Reporting**

**June 30, 2015**

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 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, 2015, disbursements exceeded the amounts budgeted in the Public Safety, Culture and Recreation, Community and Economic Development, General Government, Capital Projects and Debt Service functions.

**City of Ackley**

**Schedule of the City's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

**Other Information**

	<u>2015</u>
City's proportion of the net pension liability	0.0016348%
City's proportionate share of the net pension liability	\$ 64,833
City's covered-employee payroll	\$ 355,279
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	18.25%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Ackley

Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Other Information

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 33,906	\$ 32,514	\$ 37,422	\$ 38,347	\$ 34,631
Contributions in relation to the statutorily required contribution	-33,906	-32,514	-37,422	-38,347	-34,631
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 355,279	\$ 341,458	\$ 395,691	\$ 425,110	\$ 408,073
Contributions as a percentage of covered-employee payroll	9.54%	9.52%	9.46%	9.02%	8.49%

See accompanying independent auditor's report.

	2010		2009		2008		2007		2006
\$	30,284	\$	25,422	\$	22,009	\$	23,909	\$	25,116
	-30,284		-25,422		-22,009		-23,909		-25,116
\$	-	\$	-	\$	-	\$	-	\$	-
\$	380,966	\$	346,202	\$	319,942	\$	345,143	\$	360,749
	7.95%		7.34%		6.88%		6.93%		6.96%

City of Ackley

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## Supplementary Information

**City of Ackley**

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

**As of and For the Year ended June 30, 2015**

	Special Revenue					
	Urban Renewal Tax Increment Financing	Cougar Den	Police Car Expendable Trust	Ambulance Expendable Trust	Urban Renewal	Library Board
<b>Receipts:</b>						
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	21,707	-	-	-	-	-
Use of money and property	-	2	-	61	-	-
Other city taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,612
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	12,833	-	-	8,901
<b>Total receipts</b>	<b>\$ 21,707</b>	<b>\$ 2</b>	<b>\$ 12,833</b>	<b>\$ 61</b>	<b>\$ -</b>	<b>\$ 12,513</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	\$ -	\$ -	\$ 11,065	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	12,901
Community and economic development	21,387	-	-	-	26,307	-
General government	-	-	-	-	-	-
<b>Total disbursements</b>	<b>\$ 21,387</b>	<b>\$ -</b>	<b>\$ 11,065</b>	<b>\$ -</b>	<b>\$ 26,307</b>	<b>\$ 12,901</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>\$ 320</b>	<b>\$ 2</b>	<b>\$ 1,768</b>	<b>\$ 61</b>	<b>\$ -26,307</b>	<b>\$ -388</b>
<b>Other financing uses:</b>						
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-482,267	-	-	-	-	-
	<b>\$ -482,267</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in cash balances</b>	<b>\$ -481,947</b>	<b>\$ 2</b>	<b>\$ 1,768</b>	<b>\$ 61</b>	<b>\$ -26,307</b>	<b>\$ -388</b>
Cash balances beginning of year	87,966	477	-	15,132	-	43,683
<b>Cash balances end of year</b>	<b>\$ -393,981</b>	<b>\$ 479</b>	<b>\$ 1,768</b>	<b>\$ 15,193</b>	<b>\$ -26,307</b>	<b>\$ 43,295</b>
<b>Cash Basis Fund Balances</b>						
<b>Restricted for:</b>						
Special revenue funds	\$ -	\$ 479	\$ 1,768	\$ 15,193	\$ -26,307	\$ 43,295
Capital project funds	-	-	-	-	-	-
Nonspendable – cemetery perpetual care	-	-	-	-	-	-
Unassigned	-393,981	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ -393,981</b>	<b>\$ 479</b>	<b>\$ 1,768</b>	<b>\$ 15,193</b>	<b>\$ -26,307</b>	<b>\$ 43,295</b>

See accompanying independent auditor's report.

Swimming Pool Trust	Permanent Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -
-	-	21,707
18	1	82
-	-	-
-	-	3,612
-	-	-
-	-	21,734
<u>\$ 18</u>	<u>\$ 1</u>	<u>\$ 47,135</u>

\$ -	\$ -	\$ 11,065
-	-	12,901
-	-	47,694
-	15	15
<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 71,675</u>

\$ 18	\$ -14	\$ -24,540
-------	--------	------------

\$ -	\$ -	\$ -
-	-	-482,267
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -482,267</u>

\$ 18	\$ -14	\$ -506,807
4,398	58,672	210,328

<u>\$ 4,416</u>	<u>\$ 58,658</u>	<u>\$ -296,479</u>
-----------------	------------------	--------------------

\$ 4,416	\$ -	\$ 38,844
-	-	-
-	58,658	58,658
-	-	-393,981

<u>\$ 4,416</u>	<u>\$ 58,658</u>	<u>\$ -296,479</u>
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## City of Ackley

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances  
Non-Major Proprietary Funds

As of and For the Year Ended June 30, 2015

	Water Reserve Sinking	Water Deposits	Total
Operating receipts:			
Miscellaneous	\$ -	\$ 2,365	\$ 2,365
Operating disbursements:			
Business type activities	\$ -	\$ 1,585	\$ 1,585
Change in cash balances	\$ -	\$ 780	\$ 780
Cash balances beginning of year	6,511	15,213	21,724
Cash balances end of year	\$ 6,511	\$ 15,993	\$ 22,504
<b>Cash Basis Fund Balances</b>			
Restricted:			
Other	\$ 6,511	\$ 15,993	\$ 22,504

See notes to financial statements.

**City of Ackley**  
**Schedule of Indebtedness**  
**Year ended June 30, 2015**

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
Essential corporate purpose	July 23, 2014	2.00-3.00%	\$785,000
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
Capital lease -- Ambulance	February 1, 2015	-	\$32,000
Bank loan -- Police car	February 27, 2015	4.25%	\$30,470
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
\$410,000	\$-	\$410,000	\$-	\$2,144	\$-
-	785,000	135,000	650,000	15,186	-
\$410,000	\$785,000	\$545,000	\$650,000	\$17,330	\$-
\$100,000	\$-	\$20,000	\$80,000	\$4,870	\$-
\$106,720	\$-	\$34,579	\$72,141	\$3,042	\$-
17,782	-	8,643	9,139	1,022	-
133,576	-	24,989	108,587	4,462	-
-	32,000	13,000	19,000	-	-
\$258,078	\$32,000	\$81,211	\$208,867	\$8,526	\$-
\$-	\$30,470	\$-	\$30,470	-	\$-
\$768,078	847,470	\$646,211	\$969,337	\$30,726	\$-

**City of Ackley**  
**Bond and Note Maturities**  
**June 30, 2015**

Year Ending June 30,	General Obligation Capital Loan Notes	
	Essential Corporate Purpose	
	Issued July 23, 2014	
	Interest Rate	Amount
2016	2.00%	\$170,000
2017	2.00%	175,000
2018	2.00%	35,000
2019	2.00%	35,000
2020	2.00%	35,000
2021	2.00%	40,000
2022	3.00%	40,000
2023	3.00%	40,000
2024	3.00%	40,000
2025	3.00%	40,000
		\$650,000

Year Ending June 30,	Revenue Notes	
	Sewer Revenue	
	Capital Loan Notes	
	Issued November 1, 2004	
	Interest Rate	Amount
2016	4.75%	\$20,000
2017	4.90%	20,000
2018	5.00%	20,000
2019	5.10%	20,000
		\$80,000

Year Ending June 30,	Capital Lease – Street Cleaner	
	Essential Corporate Purpose	
	Issued September 28, 2012	
	Interest Rate	Amount
2016	2.85%	\$35,564
2017	2.85%	36,577
		\$72,141

## City of Ackley

## Bond and Note Maturities

June 30, 2015

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

Year Ending June 30,	Capital Lease - Loaders	
	Essential Corporate Purpose	
	Issued April 23, 2014	
	Interest Rate	Amount
2016	3.29%	\$25,824
2017	3.29%	26,686
2018	3.29%	27,578
2019	3.29%	28,499
		<u>\$108,587</u>

Year Ending June 30,	Capital Lease - Ambulance	
	Essential Corporate Purpose	
	Issued February 1, 2015	
	Interest Rate	Amount
2016	0.00%	\$6,000
2017	0.00%	6,000
2018	0.00%	6,000
2019	0.00%	1,000
		<u>\$19,000</u>

Year Ending June 30,	Bank Loan – Police Car	
	Essential Corporate Purpose	
	Issued February 27, 2015	
	Interest Rate	Amount
2016	4.25%	\$10,240
2017	4.25%	9,923
2018	4.25%	10,307
		<u>\$30,470</u>

See accompanying independent auditor's report.

City of Ackley

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

**For the Last Ten Years**

	2015 (Audited)	2014 (Audited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
<b>Receipts:</b>					
Property tax	\$ 749,837	\$ 644,266	\$ 624,047	\$ 586,045	\$ 585,921
Tax increment financing collection	21,707	9,539	57,628	110,366	70,623
Other city tax	214,767	186,645	175,731	166,525	190,110
Licenses and permits	5,846	3,584	3,130	3,406	3,352
Use of money and property	110,512	97,353	96,718	95,680	92,794
Intergovernmental	338,213	211,874	241,961	1,087,652	625,664
Charges for service	387,864	249,799	295,116	290,413	340,888
Special assessments	4,144	3,841	5,025	4,905	-
Miscellaneous	203,533	101,470	74,686	67,322	118,628
<b>Total</b>	<b>\$ 2,036,423</b>	<b>\$ 1,508,371</b>	<b>\$ 1,574,042</b>	<b>\$ 2,412,314</b>	<b>\$ 2,027,980</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	\$ 592,651	\$ 450,398	\$ 502,256	\$ 455,858	\$ 643,121
Public works	344,072	342,072	361,919	342,411	357,926
Health and social services	2,964	1,254	-	893	5,292
Culture and recreation	309,853	186,098	196,395	194,108	201,070
Community and economic development	62,877	41,840	35,039	7,104	16,919
General government	289,424	175,588	129,943	134,543	106,963
Debt service	623,810	196,528	216,237	182,105	180,005
Capital projects	523,439	307,619	105,629	1,010,368	566,197
<b>Total</b>	<b>\$ 2,749,090</b>	<b>\$ 1,701,397</b>	<b>\$ 1,547,418</b>	<b>\$ 2,327,390</b>	<b>\$ 2,077,493</b>

See accompanying independent auditor's report.

2010 (Audited)	2009 (Unaudited)	2008 (Audited)	2007 (Unaudited)	2006 (Audited)
\$ 565,336	\$ 516,033	\$ 475,901	\$ 465,543	\$ 502,911
-	-	-	-	-
164,545	153,149	164,197	163,508	137,099
3,392	3,127	3,492	3,959	3,180
99,945	98,797	122,177	107,843	108,230
271,518	304,826	200,883	195,484	200,113
324,639	314,006	278,361	277,098	320,301
1,533	873	8,123	1,343	6,146
75,262	85,157	48,600	45,781	61,798
<u>\$ 1,506,170</u>	<u>\$ 1,475,968</u>	<u>\$ 1,301,734</u>	<u>\$ 1,260,559</u>	<u>\$ 1,339,778</u>

\$ 363,202	\$ 431,436	\$ 348,777	\$ 346,111	\$ 419,248
351,043	405,274	367,492	332,011	346,417
2,165	4,048	3,650	2,627	2,675
288,988	217,606	185,364	169,069	188,541
125,355	124,754	129,806	16,312	3,000
122,300	126,837	112,194	94,927	107,031
185,985	755,518	161,600	199,128	206,600
429,774	90,716	173,877	25,177	219,486
<u>\$ 1,868,812</u>	<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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 22, 2015. 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. Accordingly, I do not express 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-15 through I-F-15 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which 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-G-15 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 which 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, 2015 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.

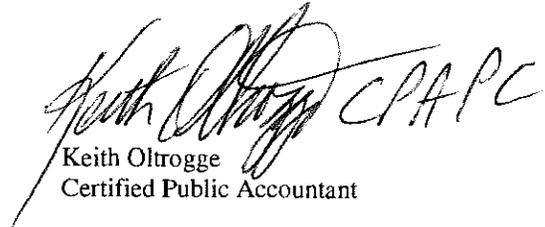
### City of Ackley's Responses to the Findings

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

December 22, 2015

**City of Ackley**  
**Schedule of Findings**  
**Year ended June 30, 2015**

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 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-15 Treasurer's Report – The financial statement report, "Treasurer's report reconciliation to the clerk's balance" at June 30, 2015 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-15 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**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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

I-D-15 Disbursement Approval – For 59 of 66 disbursements tested there was no evidence to document the date the Clerk/Mayor approved the expenditures.

Recommendation – The City should ensure all expenditures are properly approved. The City should maintain documentation of the Clerk/Mayor's approval of claims for payment, such as the Clerk/Mayor's initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval.

Conclusion – Response acknowledged.

I-E-15 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 changing software in March 2016.

Conclusion – Response accepted.

I-F-15 Annual Financial Statements – The ability to apply U.S. 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 U.S. 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 U.S. 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**  
**Schedule of Findings**  
**Year ended June 30, 2015**

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 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-15 Questionable Disbursements – Certain disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Cardmember Service	late fee	\$39.00
Varsity Cleaners	dry cleaning	\$31.83
Discount Mugs	mugs	\$468.84
Anderson Flowers	volunteer appreciation	\$80.00
U of IA Hospitals Gift Shop	gift	\$16.50
Anderson Greenhouse	funeral flowers	\$32.10

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

II-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Ackley**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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

II-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transcription Description	Amount
James Daggs, Mayor, Owner of Ackley Publishing	Publications	\$2,705
Tim Eichmeier, Fire Chief, Owner of Eichmeier Motor	TIF Rebate	\$1,718
Tim Eichmeier, Fire Chief, Owner of Eichmeier Motor	Repairs/Service	\$4,396
Dale Brass, Council Member, Owner of Sailer Ford	Repairs	\$8,542
Dale Brass, Council Member, Owner of Sailer Ford	Purchase Police Car	\$25,470

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the mayor may represent a conflict of interest since total transactions were more 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. This is the second police car that was purchased without competitive bidding.

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-15 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.

II-F-15 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.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should comply with the Chapter 21 of the Code of Iowa and should publish minutes and annual individual salaries as required.

Response – We will comply with the Code requirements for public hearings. We will publish minutes and salaries as required.

Conclusion – Response accepted.

II-G-15 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.

**City of Ackley**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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

II-H-15 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

II-I-15 Financial Condition – The General Fund, Special Revenue Funds – Road Use Tax and Urban Renewal Tax Increment Financing, Debt Service and the Enterprise Fund – Sewer Utility had deficit balances of \$138,862, \$67,514, \$393,981, \$11,415 and \$122,148 respectively, at June 30, 2015.

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-15 Disposal of Property – The City did not publish a notice of assets for sale in the newspaper as required by Iowa Code.

Recommendation – Before the City sells City assets they need to give public notice in the newspaper as required by Iowa code.

Response – We will publish the appropriate notice in the future as required.

Conclusion – Response accepted.

II-K-15 Payroll Reports – It was noted that the 2015 quarterly reports of the Iowa Workforce Development were incorrectly reported.

Recommendation – The City should amend these reports as soon as possible.

Response – We have done this.

Conclusion – Response accepted.

II-L-15 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 1 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 \$25,470 on March 2, 2015. 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.

**City of Ackley**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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

II-M-15 Form 1099 – 1099 forms were prepared by the City, however, not all vendors who should have had one received one.

Recommendation – The City should review the calendar year vendor history report for possible 1099s for independent contractor payments over \$600 to comply with federal regulations.

Response – We will review the vendor history list at year end and prepare 1099s as required.

Conclusion – Response accepted.

II-N-15 Sales Tax – Sales tax was paid by the City on one disbursement tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made. We have received a refund on the sales tax paid.

Conclusion – Response acknowledged.

II-O-15 Payroll – The salary resolution did not include all employees.

Recommendation – The annual salary resolution should include everyone who is paid a salary or hourly wage.

Response – We will ensure all employees are included in the future.

Conclusion – Response accepted.

II-P-15 Travel – The mileage rate on one travel reimbursement sheet I reviewed, for the library, was calculated incorrectly by the librarian.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – All invoices are reviewed before payments are made and the City Clerk paid this reimbursement at the correct rate.

Conclusion – Response accepted.

II-Q-15 TIF – I noted other expenditures were paid from the TIF Fund. With few exceptions, the City must use TIF revenue for the payment of TIF indebtedness. The City may not use TIF Funds for the direct payment of project costs.

Recommendation – The City should record expenditures in the correct funds as the purchases are made.

Response – We will review all invoices for coding accuracy before payments are made.

Conclusion – Response acknowledged.

**City of Ackley**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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

II-R-15 Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

In addition, the following exceptions were noted:

The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger.

Recommendation – The City should ensure the cash balances reported on the Levy Authority Summary agree with the City's records.

Response – This item will be corrected on next year's report.

Conclusion – Response accepted.