

**City of Akron**

Akron, Iowa

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

June 30, 2015

# City of Akron

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**City of Akron  
City Officials  
Year Ended June 30, 2015**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harold Higman, Jr.	Mayor	January 2016
Bob Frerichs	Member	January 2016
Denise Loutsch-Beitelspacher	Member	January 2016
Barb Johnson	Member	January 2016
Gerry Stowers	Member	January 2018
Sharon Frerichs	Member	January 2018

APPOINTED OFFICIALS

Melea Nielsen	City Clerk/Finance Officer	Indefinite
Karen Wardrip	Deputy Clerk/Treasurer	Indefinite
David Stuart	City Attorney	Indefinite



## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akron, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the financial statements of the City's primary government as 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 the notes. 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*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



*Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental activities	Unmodified
Business-type activities	Adverse
Major governmental funds	Unmodified
Major enterprise funds:	
Sewer	Unmodified
Electric	Unmodified
Water	Unmodified
Akron Care Center, Inc.	Adverse
Aggregate remaining fund information	Qualified

*Basis for Adverse Opinions and Qualified Opinion*

The financial statements referred to above do not include financial data for the City's legally separate component units; Akron Care Center, Inc. and Akron Volunteer Fire Association. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis net position, cash basis fund balance, receipts, and disbursements of the opinion units outlined above in the "Summary of Opinions" has not been determined.

*Adverse Opinions*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions and Qualified Opinion" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the business-type activities and the Akron Care Center, Inc. enterprise fund of the City of Akron, Iowa, as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in the "Basis for Adverse Opinions and Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the aggregate remaining fund information of the City of Akron, Iowa as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

*Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major governmental fund and the following major enterprise funds; sewer, electric, and water of the City of Akron, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.



### ***Basis of Accounting***

As described in the notes, 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. Our opinions are not modified with respect to this matter.

### ***Change in Accounting Principle***

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

### ***Other Matters***

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Akron, Iowa's primary government basic financial statements. The supplementary information included in Schedules 1 through 4, are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. Because of the significance of the matters described above in the "Basis for Adverse Opinions and Qualified Opinion", it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The other information, Management's Discussion and Analysis, budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of the City's Contributions on pages 5 through 11 and 31 through 36 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016 on our consideration of the City of Akron, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Akron, Iowa's internal control over financial reporting and compliance.

Sioux City, Iowa  
March 30, 2016

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Akron provides this Management's Discussion and Analysis of the financial statements of its primary government. The Akron Care Center, Inc. and Akron Volunteer Fire Association, which are component units of the City of Akron, have been excluded from the City's reporting entity. Complete financial statements of the Akron Care Center, Inc., which issued separate financial statements, can be obtained from the Care Center's administrative offices. 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 decreased 40.8 percent, or approximately \$1.1 million, from fiscal year 2014 to fiscal year 2015. Receipts in fiscal year 2014 included proceeds from debt of approximately \$1.3 million that were used to fund the Municipal Care Center Facility.
- Disbursements of the City's governmental activities increased 11.7 percent, or approximately \$292,000, in fiscal year 2015 from fiscal year 2014. Public safety and public works increased approximately \$137,000 and \$360,000, respectively and capital projects decreased approximately \$293,000.
- The City's total cash basis net position decreased from \$1,805,109 at June 30, 2014 to \$1,000,255 at June 30, 2015. The cash basis net position of the governmental activities decreased by \$628,454 and the cash basis net position of the business-type activities decreased by \$176,400.

### **Using This Annual Report**

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

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

### **Basis of Accounting**

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

### **Reporting the City's Financial Activities**

#### *Government-wide Financial Statement*

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

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

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

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

#### *Fund Financial Statements*

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund; (2) the Special Revenue Funds, such as Urban Renewal Tax Increment, Road Use Tax and Local Option Sales Tax; (3) the Debt Service Fund; (4) the Capital Project Funds; 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.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the funds. Electric Utility, Sewer Utility, and Water Utility funds are considered to be major enterprise 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 decreased from a year ago, from \$1.3 million to approximately \$666,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

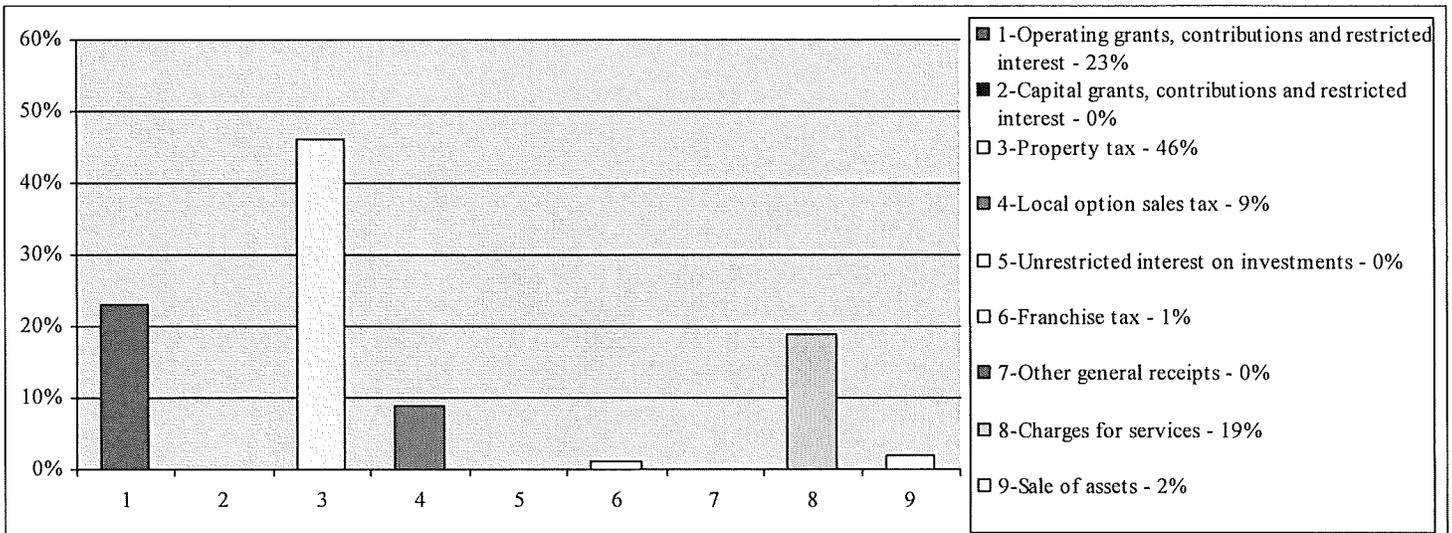
#### Changes in Cash Basis Net Position of Governmental Activities Year Ended June 30,

	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service	\$ 293,317	\$ 213,430
Operating grants, contributions and restricted interest	354,653	260,121
Capital grants, contributions and restricted interest	5,324	1,800
General receipts:		
Property tax	716,725	658,466
Local option sales tax	141,703	142,889
Franchise tax	21,603	23,610
Unrestricted investment earnings	431	768
Debt proceeds	-	4,575,089
Refinancing of debt	-	(3,252,898)
Sale of assets	26,000	3,616
Other general receipts	<u>8,000</u>	<u>23,150</u>
Total receipts	<u>\$ 1,567,756</u>	<u>\$ 2,650,041</u>

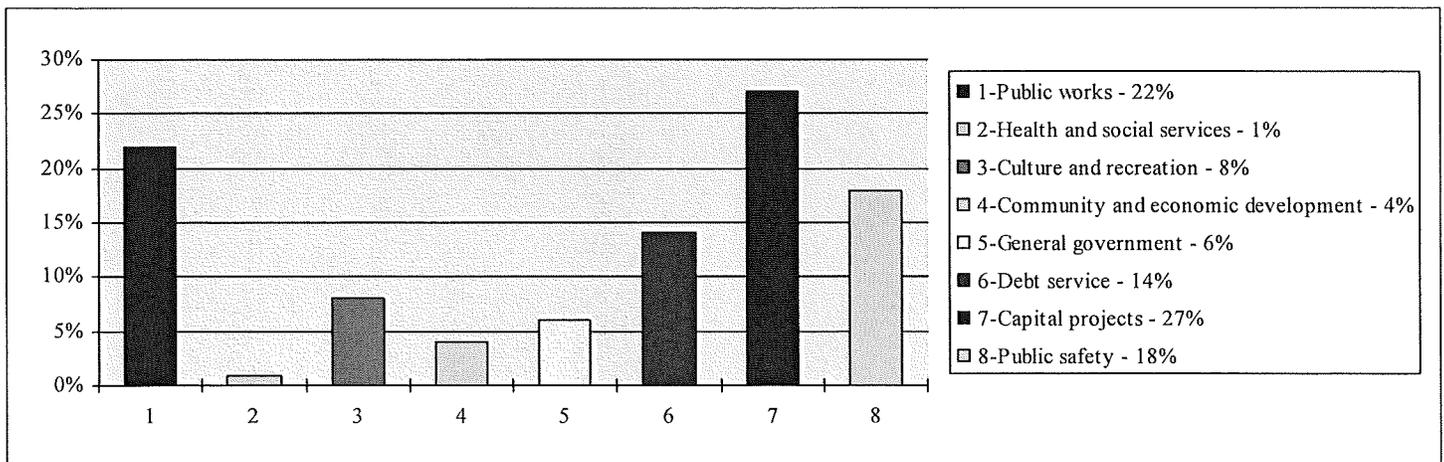
Changes in Cash Basis Net Position of Governmental Activities  
Year Ended June 30, (Continued)

	<u>2015</u>	<u>2014</u>
Disbursements:		
Public safety	\$ 493,020	\$ 356,505
Public works	612,669	252,525
Health and social services	20,792	25,103
Culture and recreation	210,865	232,135
Community and economic development	122,536	74,687
General government	183,951	140,128
Debt service	380,654	358,318
Capital projects	<u>769,933</u>	<u>1,062,951</u>
Total disbursements	<u>\$ 2,794,420</u>	<u>\$ 2,502,352</u>
Change in cash basis net position before transfers	\$ (1,226,664)	\$ 147,689
Transfers, net	<u>598,210</u>	<u>135,869</u>
Change in cash basis net position	\$ (628,454)	\$ 283,558
Cash basis net position beginning of year	<u>1,294,864</u>	<u>1,011,306</u>
Cash basis net position end of year	<u>\$ 666,410</u>	<u>\$ 1,294,864</u>

2015 Receipts by Source



2015 Disbursements by Function



The City's total receipts for governmental activities decreased by 41 percent, or \$1.1 million. The decrease in receipts was largely attributable to a decrease in debt proceeds, net of refinancing, of \$1.3 million. The total cost of all programs and services increased by \$292,068. The public safety function increased approximately \$137,000 due to the first full year of ambulance services operated by the City. The public works function increased approximately \$360,000 due to large equipment purchases and disbursements incurred as a result of the flood. These two functional increases were partially offset by a decrease of approximately \$293,000 in the capital projects function.

The cost of all governmental activities this year was \$2,794,420 compared to \$2,502,352 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 12, the amount taxpayers ultimately financed for these activities was \$2,141,126 because some of the cost was paid by those directly benefited from the programs (\$293,317) or by other governments and organizations that subsidized certain programs with grants and contributions (\$359,977). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$880,031 in tax (some of which could only be used for certain programs).

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

	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service:		
Water utility	\$ 173,867	\$ 181,944
Sewer utility	127,905	115,384
Electric utility	1,558,542	1,630,132
Utility deposits	1,219	-
General receipts:		
Unrestricted interest on investments	1,244	1,249
Miscellaneous	<u>1,599</u>	<u>6,050</u>
Total receipts	<u>\$ 1,864,376</u>	<u>\$ 1,934,759</u>
Disbursements:		
Water utility	\$ 137,109	\$ 211,035
Sewer utility	123,760	53,519
Electric utility	1,326,289	1,434,011
Utility deposits	<u>650</u>	<u>1,772</u>
Total disbursements	<u>\$ 1,587,808</u>	<u>\$ 1,700,337</u>
Change in cash basis net position before transfers	\$ 276,568	\$ 234,422
Transfers, net	<u>(452,968)</u>	<u>74,061</u>
Change in cash basis net position	\$ (176,400)	\$ 308,483
Cash basis net position beginning of year	<u>510,245</u>	<u>201,762</u>
Cash basis net position end of year	<u>\$ 333,845</u>	<u>\$ 510,245</u>

Total business-type activities' receipts for the fiscal year were \$1,864,376 compared to \$1,934,759 last year, a decrease of \$70,383. Total disbursements for fiscal 2015 decreased by 6.6 percent to a total of \$1,587,808.

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

As the City of Akron completed the year, its governmental funds reported a combined fund balance of \$666,410, a decrease of \$628,454 from last year's total of \$1,294,864. The following are the major reasons for the changes in fund balances of the funds from the prior year.

- The General Fund cash balance increased by \$104,424 from 2014 to 2015. Transfers in for the current year were \$411,369 from the Local Option Sales Tax and enterprise funds and were used for operations.
- The Urban Renewal Tax Increment Fund cash balance was \$104,830 at June 30, 2015, a decrease of \$45,413 from the previous year. The City authorized loan payments of \$344,169 to pay back the internally generated certified debt. The loan payments exceeded the current year receipts of \$299,123.
- The Road Use Tax Fund cash balance decreased by \$206,468 from the prior year, due to the large street equipment purchased during 2015.
- The Municipal Care Center Facility Capital Project Fund cash balance decreased by \$232,588 to \$73,981 at June 30, 2015 due to payment of the current year construction costs. The Project was near completion at June 30, 2015.
- The Reed Street Capital Project's current year disbursements of approximately \$670,000 were financed by the funds beginning cash balance of \$127,633 and current year transfers from the Electric Fund of approximately \$540,000.
- The Debt Service Fund's fund balance did not change from 2014 to 2015. Transfers to the Debt Service Fund of \$380,654 were made from other funds to cover the required principal and interest payments.

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

- The Sewer Utility cash balance increased by \$55,369 to \$146,187. The sewer rate increase effective June 1, 2014 resulted in an increase in charges for services of approximately \$12,500. The current year excess of operating receipts over operating disbursements was \$74,811.
- The Electric Utility cash balance decreased by \$275,820 to \$93,697. The current year excess of operating receipts over operating disbursements was \$272,196. The Electric Fund transferred approximately \$510,000 to other funds.
- The Water Utility cash balance increased by \$43,482 to \$73,523. The current year excess of operating receipts over operating disbursements was \$39,261.

### **Budgetary Highlights**

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

During the year, the City amended its budget. The amendment was approved in May 2015 and resulted in various changes to receipts, disbursements and other financing sources.

The City's receipts were approximately \$146,000 less than the amended budget. The City's disbursements were approximately \$50,000 less and other financing sources, net were approximately \$100,000 less than the amended budget. The City exceeded disbursements in the public works function by approximately \$50,000, general government function by approximately \$47,000, and debt service function by approximately \$271,000.

**Debt Administration**

At June 30, 2015, the City had \$5,421,381 in bonds and other debt, compared to \$5,619,623 last year, as shown below.

<u>Outstanding Debt at Year-End</u>		
<u>June 30,</u>		
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 1,505,000	\$ 1,655,000
Notes Payable	<u>3,916,381</u>	<u>3,964,623</u>
Total	<u>\$ 5,421,381</u>	<u>\$ 5,619,623</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,505,000 is below its constitutional debt limit of \$3,177,340.

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

The City of Akron's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees charged for various City activities. One of those factors is the economy.

Amounts available in the 2016 budget for appropriation, including other financing sources, are \$4.6 million. The 2016 budgeted disbursements including transfers out are \$4.3 million.

If these estimates are realized, the City's cash balance will increase by approximately \$300,000 to \$1.3 million by the close of 2016.

**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 the City Clerk, 220 Reed Street, Akron, Iowa 51001.

# **FINANCIAL STATEMENTS**

City of Akron  
Cash Basis Statement of Activities and Net Position  
As of and for the Year Ended June 30, 2015

Functions/Programs	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 183,951	\$ 31,475	\$ -	\$ (152,476)	\$ -	\$ (152,476)
Public safety	493,020	75,001	-	(313,520)	-	(313,520)
Public works	612,669	144,448	-	(262,605)	-	(262,605)
Health and social services	20,792	-	-	(20,792)	-	(20,792)
Culture and recreation	210,865	43,602	5,000	(121,370)	-	(121,370)
Community and economic development	122,536	936	-	(120,100)	-	(120,100)
Debt service	380,654	-	-	(380,654)	-	(380,654)
Capital projects	769,933	-	324	(769,609)	-	(769,609)
<b>Total governmental activities</b>	<b>\$ 2,794,420</b>	<b>\$ 293,317</b>	<b>\$ 354,653</b>	<b>\$ (2,141,126)</b>	<b>\$ -</b>	<b>\$ (2,141,126)</b>
<b>Business-type activities:</b>						
Water utility	\$ 137,109	\$ 173,867	\$ -	\$ -	\$ 36,758	\$ 36,758
Sewer utility	123,760	127,905	-	-	4,145	4,145
Electric utility	1,326,289	1,558,542	-	-	232,253	232,253
Utility deposits	650	1,219	-	-	569	569
<b>Total business-type activities</b>	<b>\$ 1,587,808</b>	<b>\$ 1,861,533</b>	<b>\$ -</b>	<b>\$ (2,141,126)</b>	<b>\$ 273,725</b>	<b>\$ 273,725</b>
<b>Total</b>	<b>\$ 4,382,228</b>	<b>\$ 2,154,850</b>	<b>\$ 5,324</b>	<b>\$ (2,141,126)</b>	<b>\$ 273,725</b>	<b>\$ (1,867,401)</b>
<b>General receipts:</b>						
Property and other city tax levied for:						
General purposes				\$ 298,653	\$ -	\$ 298,653
Employee benefits				119,598	-	119,598
Tax increment financing				298,474	-	298,474
Local option sales tax				141,703	-	141,703
Franchise tax				21,603	-	21,603
Unrestricted investment earnings				431	1,244	1,675
Miscellaneous				8,000	1,599	9,599
Sale of assets				26,000	-	26,000
Transfers				598,210	(452,968)	145,242
<b>Total general receipts and transfers</b>				<b>\$ 1,512,672</b>	<b>\$ (450,125)</b>	<b>\$ 1,062,547</b>
Change in cash basis net position				\$ (628,454)	\$ (176,400)	\$ (804,854)
Cash basis net position beginning of year				1,294,864	510,245	1,805,109
Cash basis net position end of year				666,410	333,845	1,000,255
<b>Cash basis net position:</b>						
Restricted:						
Nonexpendable:						
Revolving loan fund				\$ 42,260	\$ -	\$ 42,260
Expendable:						
Streets				102,946	-	102,946
Local option sales tax purposes				11,726	-	11,726
Urban renewal purposes				104,830	-	104,830
Pool replacement				231,145	-	231,145
Capital projects				91,045	-	91,045
Other purposes				28,038	-	28,038
Unrestricted				54,420	333,845	388,265
<b>Total cash basis net position</b>				<b>\$ 666,410</b>	<b>\$ 333,845</b>	<b>\$ 1,000,255</b>

**City of Akron**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2015**

	Special Revenue			Capital Projects			Nonmajor	Total
	General	Urban Renewal Tax Increment	Road Use Tax	Municipal Care Center Facility	Reed Street	Debt Service		
<b>RECEIPTS:</b>								
Property tax	\$ 298,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,598	\$ 418,251
Tax increment financing	-	298,474	-	-	-	-	-	298,474
Other city tax	21,603	-	-	-	-	-	141,703	163,306
Licenses and permits	3,885	-	-	-	-	-	-	3,885
Intergovernmental	180,360	-	154,518	-	-	-	-	334,878
Charges for services	247,959	-	4,939	-	-	-	-	252,898
Use of money and property	33,741	649	631	324	-	-	381	35,726
Miscellaneous	31,424	-	-	-	-	-	2,914	34,338
Total receipts	<u>\$ 817,625</u>	<u>\$ 299,123</u>	<u>\$ 160,088</u>	<u>324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,596</u>	<u>\$ 1,541,756</u>
<b>DISBURSEMENTS:</b>								
Current:								
General government	\$ 161,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,691	\$ 183,951
Public safety	425,320	-	-	-	-	-	67,700	493,020
Public works	242,889	-	351,991	-	-	-	17,789	612,669
Health and social services	20,792	-	-	-	-	-	-	20,792
Culture and recreation	178,140	-	-	-	-	-	32,725	210,865
Community and economic development	122,169	367	-	-	-	-	-	122,536
Debt service	-	-	-	-	-	380,654	-	380,654
Capital outlay	-	-	-	46,672	667,863	-	55,398	769,933
Total disbursements	<u>\$ 1,150,570</u>	<u>\$ 367</u>	<u>\$ 351,991</u>	<u>46,672</u>	<u>\$ 667,863</u>	<u>\$ 380,654</u>	<u>\$ 196,303</u>	<u>\$ 2,794,420</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (332,945)</u>	<u>\$ 298,756</u>	<u>\$ (191,903)</u>	<u>(46,348)</u>	<u>\$ (667,863)</u>	<u>\$ (380,654)</u>	<u>\$ 68,293</u>	<u>\$ (1,252,664)</u>
<b>OTHER FINANCING SOURCES (USES):</b>								
Sale of capital assets	\$ 26,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,000
Transfers in	411,369	-	-	-	540,200	380,654	85,000	1,417,223
Transfers out	-	(344,169)	(14,565)	(186,240)	-	-	(274,039)	(819,013)
Total other financing sources and (uses)	<u>\$ 437,369</u>	<u>\$ (344,169)</u>	<u>\$ (14,565)</u>	<u>\$ (186,240)</u>	<u>\$ 540,200</u>	<u>\$ 380,654</u>	<u>\$ (189,039)</u>	<u>\$ 624,210</u>
Net change in cash balances	\$ 104,424	\$ (45,413)	\$ (206,468)	\$ (232,588)	\$ (127,663)	\$ -	\$ (120,746)	\$ (628,454)
Cash balance beginning of year	253,769	150,243	309,414	306,569	127,633	-	147,236	1,294,864
Cash balance end of year	<u>\$ 358,193</u>	<u>\$ 104,830</u>	<u>\$ 102,946</u>	<u>\$ 73,981</u>	<u>\$ (30)</u>	<u>\$ -</u>	<u>\$ 26,490</u>	<u>\$ 666,410</u>
<b>CASH BASIS FUND BALANCES:</b>								
Nonspendable:								
Revolving loan fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,260	\$ 42,260
Restricted for:								
Local option sales tax purposes	-	-	-	-	-	-	11,726	11,726
Streets	-	-	102,946	-	-	-	-	102,946
Urban renewal purposes	-	104,830	-	-	-	-	-	104,830
Pool replacement	231,145	-	-	-	-	-	-	231,145
Capital projects	-	-	-	73,981	-	-	17,064	91,045
Other purposes	17,200	-	-	-	-	-	10,838	28,038
Unassigned	109,848	-	-	-	(30)	-	(55,398)	54,420
Total cash basis fund balances	<u>\$ 358,193</u>	<u>\$ 104,830</u>	<u>\$ 102,946</u>	<u>\$ 73,981</u>	<u>\$ (30)</u>	<u>\$ -</u>	<u>\$ 26,490</u>	<u>\$ 666,410</u>

**City of Akron**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2015**

	<u>Sewer</u>	<u>Electric</u>	<u>Water</u>	<u>Nonmajor Utility Deposits</u>	<u>Total</u>
<b>OPERATING RECEIPTS:</b>					
Charges for services	\$ 127,905	\$ 1,558,542	\$ 173,867	\$ -	\$ 1,860,314
Miscellaneous	-	-	-	1,219	1,219
Total operating receipts	<u>\$ 127,905</u>	<u>\$ 1,558,542</u>	<u>\$ 173,867</u>	<u>\$ 1,219</u>	<u>\$ 1,861,533</u>
<b>OPERATING DISBURSEMENTS:</b>					
Personal services	\$ 34,111	\$ 241,591	\$ 85,619	\$ -	\$ 361,321
Repairs and maintenance	782	5,196	2,422	-	8,400
Utilities	3,593	8,459	13,779	-	25,831
Contractual services	5,277	16,285	10,157	-	31,719
Commodities	9,331	1,014,815	22,629	650	1,047,425
Total operating disbursements	<u>\$ 53,094</u>	<u>\$ 1,286,346</u>	<u>\$ 134,606</u>	<u>\$ 650</u>	<u>\$ 1,474,696</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 74,811</u>	<u>\$ 272,196</u>	<u>\$ 39,261</u>	<u>\$ 569</u>	<u>\$ 386,837</u>
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>					
Interest	\$ 297	\$ 835	\$ 112	\$ -	\$ 1,244
Miscellaneous revenue	-	1,599	-	-	1,599
Capital outlay	(70,666)	(39,943)	(2,503)	-	(113,112)
Net non-operating disbursements	<u>\$ (70,369)</u>	<u>\$ (37,509)</u>	<u>\$ (2,391)</u>	<u>\$ -</u>	<u>\$ (110,269)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 4,442</u>	<u>\$ 234,687</u>	<u>\$ 36,870</u>	<u>\$ 569</u>	<u>\$ 276,568</u>
Transfers in	52,892	210,847	13,354	-	277,093
Transfers out	(1,965)	(721,354)	(6,742)	-	(730,061)
Net change in cash balances	<u>\$ 55,369</u>	<u>\$ (275,820)</u>	<u>\$ 43,482</u>	<u>\$ 569</u>	<u>\$ (176,400)</u>
Cash balance beginning of year	90,818	369,517	30,041	19,869	510,245
Cash balance end of year	<u>\$ 146,187</u>	<u>\$ 93,697</u>	<u>\$ 73,523</u>	<u>\$ 20,438</u>	<u>\$ 333,845</u>
<b>CASH BASIS FUND BALANCES:</b>					
Unrestricted	<u>\$ 146,187</u>	<u>\$ 93,697</u>	<u>\$ 73,523</u>	<u>\$ 20,438</u>	<u>\$ 333,845</u>
Total cash basis fund balance	<u>\$ 146,187</u>	<u>\$ 93,697</u>	<u>\$ 73,523</u>	<u>\$ 20,438</u>	<u>\$ 333,845</u>

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Akron, Iowa, is a political subdivision of the State of Iowa located in Plymouth County. It was first incorporated in 1882 and operates under the Home Rule provision of the Constitution of Iowa. The City operates under the mayor-council form of government with the mayor and council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and electric utilities for its citizens.

- A. Reporting Entity - For financial reporting purposes, the City of Akron, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization; or, (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Akron, Iowa (the primary government). The Akron Care Center, Inc. and Akron Volunteer Fire Association (component units) have been excluded from the City's reporting entity. Complete financial statements of Akron Care Center, Inc., which issued separate financial statements, can be obtained from the Care Center's administrative offices.

Jointly Governed Organizations - The City also participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Community Education Program, Rural Fire Association and E-911 Board. The City is also a member of a 28E agreement with the Northwest Iowa Area Solid Waste Agency.

- B. Basis of Presentation

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

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

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

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on cash balances 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 as general receipts.

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

The City reports the following major governmental funds:

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

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

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

Capital Projects:

The Municipal Care Center Facility Fund is used to account for the resources to be used to pay for construction related to the Municipal Care Center Facility project.

The Reed Street Fund is used to account for the resources to be used to pay for construction related to the Reed Street Project.

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

The City reports the following major enterprise funds:

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

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

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

- 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.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 is 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 balance.

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

- 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.

*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 works, general government, and debt service functions.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

**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. During the year ended June 30, 2015, the City held no investments.

**BONDS AND NOTES PAYABLE:**

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

Year Ended June 30,	General Obligation		USDA Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 160,000	\$ 41,318	\$ 49,953	\$ 136,287	\$ 209,953	\$ 177,605
2017	165,000	38,268	51,729	134,511	216,729	172,779
2018	165,000	34,541	53,569	132,671	218,569	167,212
2019	170,000	30,498	55,474	130,766	225,474	161,264
2020	60,000	25,702	57,447	128,793	117,447	154,495
2021-2025	325,000	108,320	319,380	611,820	644,380	720,140
2026-2030	375,000	57,812	380,362	550,838	755,362	608,650
2031-2035	85,000	3,188	452,988	478,212	537,988	481,400
2036-2040	-	-	539,484	391,716	539,484	391,716
2041-2045	-	-	642,495	288,705	642,495	288,705
2046-2050	-	-	765,174	166,026	765,174	166,026
2051-2054	-	-	548,326	31,223	548,326	31,223
Total	<u>\$ 1,505,000</u>	<u>\$ 339,647</u>	<u>\$ 3,916,381</u>	<u>\$ 3,181,568</u>	<u>\$ 5,421,381</u>	<u>\$ 3,521,215</u>

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

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

BONDS AND NOTES PAYABLE (CONTINUED):

USDA Note Payable - On September 26, 2013, a loan agreement was entered into between the City of Akron and the USDA whereas the USDA loaned to the City \$4,000,000 and the City's obligation to repay is evidenced by the issuance of a Taxable Municipal Care Center Revenue Note, Series 2013. The proceeds from this loan were used to retire the short-term financing obtained for the Municipal Care Center Facility project. The \$4,000,000 Taxable Municipal Care Center Revenue Note, Series 2013 is payable in 480 equal monthly installments of \$15,520, which includes interest at a rate of 3.50 percent. The Taxable Municipal Care Center Revenue Note, Series 2013 is payable solely from the Akron Care Center's net revenues.

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.)

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

PENSION PLAN (CONTINUED):

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60 percent of average salary after completion of 22 years of service, plus an additional 1.5 percent of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-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.

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.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

PENSION PLAN (CONTINUED):

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. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$49,267.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$191,924. 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 0.004839 percent, which was a decrease of 0.000594 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$19,332, (\$19,886) and \$113,906 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.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

PENSION PLAN (CONTINUED):

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

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 the contractually required rate 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.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

PENSION PLAN (CONTINUED):

Sensitivity of the City's Proportionate Share of the Net Pension 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 (asset)	\$ 450,482	\$ 191,924	\$ (26,234)

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 on IPERS' website at [www.ipers.org](http://www.ipers.org).

OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 11 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately, \$332 to \$714 for single coverage and \$753 to \$1,743 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, there were no participants and no contributions to the plan.

COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2015 was \$19,078. This liability has been computed based on rates of pay as of June 30, 2015.

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

INTERFUND TRANSFERS:

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 238,056
	Enterprise:	
	Sewer Utility	1,570
	Water Utility	6,637
	Electric Utility	<u>165,106</u>
		<u>\$ 411,369</u>
Special Revenue:	Special Revenue:	
Local Option Sales Tax	Urban Renewal Tax Increment	\$ 75,000
	Enterprise:	
	Akron Care Center	<u>10,000</u>
		<u>\$ 85,000</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	\$ 35,983
	Road Use Tax	14,565
	Urban Renewal Tax Increment	58,624
	Capital Projects:	
	Municipal Care Center Facility	186,240
	Enterprise:	
	Akron Care Center	<u>85,242</u>
		<u>\$ 380,654</u>
Capital Projects:	Enterprise:	
Reed Street	Electric Utility	<u>\$ 540,200</u>
		<u>\$ 1,417,223</u>
Enterprise:	Enterprise:	
Sewer Utility	Electric Utility	\$ 2,892
	Akron Care Center	<u>50,000</u>
		<u>\$ 52,892</u>
Electric Utility	Special Revenue:	
	Urban Renewal Tax Increment	\$ 210,545
	Enterprise:	
	Water Utility	105
	Sewer Utility	<u>197</u>
		<u>\$ 210,847</u>
Water Utility	Enterprise:	
	Electric Utility	\$ 13,156
	Sewer Utility	<u>198</u>
		<u>\$ 13,354</u>
		<u>\$ 277,093</u>
	Total	<u>\$ 1,694,316</u>

**City of Akron**  
**Notes To Financial Statements**  
**June 30, 2015**

**INTERFUND TRANSFERS (CONTINUED):**

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

**RISK MANAGEMENT:**

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

**DEFICIT BALANCES:**

The Reed Street and Norka Drive capital project funds had deficit balances of \$30 and \$55,398, respectively at June 30, 2015. The deficit balances were a result of project costs incurred prior to the availability of funds. The deficit balances will be eliminated upon transfer of funds.

**COMMITMENTS:**

The City entered into a construction contract for approximately \$347,000 for the Norka Drive improvement project. As of June 30, 2015 no payments have been made on the contract.

**HEALTHCARE FACILITY REVENUE BONDS:**

The City has issued a total of \$282,164 healthcare facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the Akron Health Care's revenues, and the bond principal and interest do not constitute liabilities of the City.

## **SUPPLEMENTARY INFORMATION**

**City of Akron**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2015**

	Special Revenue			Capital Projects			Permanent
	Local Option Sales Tax	Employee Benefits	Library Improvement Trust	Akron Business Park	Norka Drive	Revolving Loan Fund	
<b>RECEIPTS:</b>							
Property taxes	\$ -	\$ 119,598	\$ -	\$ -	\$ -	\$ -	\$ 119,598
Other city tax	141,703	-	-	-	-	-	141,703
Interest	287	41	6	-	-	47	381
Miscellaneous	-	-	2,914	-	-	-	2,914
Total receipts	\$ 141,990	\$ 119,639	\$ 2,920	\$ -	\$ -	\$ 47	\$ 264,596
<b>DISBURSEMENTS:</b>							
Current:							
General government	\$ -	\$ 22,691	\$ -	\$ -	\$ -	\$ -	\$ 22,691
Public safety	-	67,700	-	-	-	-	67,700
Public works	-	17,789	-	-	-	-	17,789
Culture and recreation	-	32,725	-	-	-	-	32,725
Capital outlay	-	-	-	-	55,398	-	55,398
Total disbursements	\$ -	\$ 140,905	\$ -	\$ -	\$ 55,398	\$ -	\$ 196,303
Excess (deficiency) of receipts over (under) disbursements	\$ 141,990	\$ (21,266)	\$ 2,920	\$ -	\$ (55,398)	\$ 47	\$ 68,293
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000
Transfers out	(274,039)	-	-	-	-	-	(274,039)
Total other financing sources and (uses)	\$ (189,039)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (189,039)
Net change in cash balances	\$ (47,049)	\$ (21,266)	\$ 2,920	\$ -	\$ (55,398)	\$ 47	\$ (120,746)
Cash balance beginning of year	58,775	24,876	4,308	17,064	-	42,213	147,236
Cash balance end of year	\$ 11,726	\$ 3,610	\$ 7,228	\$ 17,064	\$ (55,398)	\$ 42,260	\$ 26,490
<b>CASH BASIS FUND BALANCES:</b>							
Nonspendable:							
Revolving loan fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,260	\$ 42,260
Restricted for:							
Local option sales tax	11,726	-	-	-	-	-	11,726
Capital projects	-	-	-	17,064	-	-	17,064
Other purposes	-	3,610	7,228	-	-	-	10,838
Unassigned	-	-	-	-	(55,398)	-	(55,398)
Total cash basis fund balances	\$ 11,726	\$ 3,610	\$ 7,228	\$ 17,064	\$ (55,398)	\$ 42,260	\$ 26,490

**City of Akron  
Schedule of Indebtedness  
Year Ended June 30, 2015**

<u>Obligation</u>		Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation:										
	2012A Care Center Bonds	05-24-12	0.65-3.75%	\$ 1,250,000	\$ 1,140,000	\$ -	\$ 55,000	\$ 1,085,000	\$ 29,643	\$ -
	2011 Refinancing	02-04-11	1.10-3.35%	810,000	515,000	-	95,000	420,000	14,172	-
	<b>Total</b>				<u>\$ 1,655,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 1,505,000</u>	<u>\$ 43,815</u>	<u>\$ -</u>
Note payables:										
	2013 USDA Note	09-26-13	3.50%	\$ 4,000,000	\$ 3,964,623	\$ -	\$ 48,242	\$ 3,916,381	\$ 137,998	\$ -

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

Year Ending June 30,	General Obligation		2012A Care Center Bonds May 24, 2012		Note Payable USDA Loan September 26, 2013	
	2011 Refinancing February 4, 2011					
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2016	2.45 - 3.35%	\$ 100,000	1.00 - 3.75%	\$ 60,000	3.50%	\$ 49,953
2017	2.75 - 3.35%	105,000	1.00 - 3.75%	60,000	3.50%	51,729
2018	3.05 - 3.35%	105,000	1.40 - 3.75%	60,000	3.50%	53,569
2019	3.35%	110,000	1.40 - 3.75%	60,000	3.50%	55,474
2020			1.85 - 3.75%	60,000	3.50%	57,447
2021		\$ 420,000	1.85 - 3.75%	60,000	3.50%	59,491
2022			2.20 - 3.75%	65,000	3.50%	61,607
2023			2.20 - 3.75%	65,000	3.50%	63,798
2024			2.60 - 3.75%	65,000	3.50%	66,067
2025			2.60 - 3.75%	70,000	3.50%	68,417
2026			3.00 - 3.75%	70,000	3.50%	70,850
2027			3.00 - 3.75%	70,000	3.50%	73,370
2028			3.50 - 3.75%	75,000	3.50%	75,980
2029			3.50 - 3.75%	80,000	3.50%	78,682
2030			3.50 - 3.75%	80,000	3.50%	81,480
2031			3.75%	85,000	3.50%	84,378
					3.50%	87,379
					3.50%	90,487
					3.50%	93,706
					3.50%	97,038
					3.50%	539,484
					3.50%	642,495
					3.50%	765,174
					3.50%	548,326
						<u>\$ 3,916,381</u>

See accompanying independent auditors' report.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>RECEIPTS:</b>										
Property tax	\$ 418,251	\$ 371,353	\$ 365,083	\$ 357,537	\$ 345,629	\$ 365,615	\$ 328,616	\$ 318,793	\$ 345,474	\$ 303,104
Tax increment financing collections	298,474	287,113	294,770	317,498	306,444	300,083	236,968	208,071	48,477	99,365
Other city tax	163,306	166,499	158,984	163,213	152,672	158,435	169,104	154,167	156,724	146,391
Licenses and permits	3,885	4,021	3,670	3,761	3,367	4,456	2,738	4,610	3,356	3,851
Use of money and property	35,726	21,272	20,177	15,675	26,171	21,544	26,976	33,312	13,602	7,871
Intergovernmental	334,878	250,823	262,589	160,391	174,387	179,319	186,415	147,264	244,459	227,890
Charges for services	252,898	190,996	177,899	239,249	242,391	235,290	248,471	201,160	217,418	205,761
Miscellaneous	34,338	32,157	30,400	41,401	44,513	30,038	53,411	86,126	27,216	51,017
<b>Total</b>	<b>\$ 1,541,756</b>	<b>\$ 1,324,234</b>	<b>\$ 1,313,572</b>	<b>\$ 1,298,725</b>	<b>\$ 1,295,574</b>	<b>\$ 1,294,780</b>	<b>\$ 1,252,699</b>	<b>\$ 1,153,503</b>	<b>\$ 1,056,726</b>	<b>\$ 1,045,250</b>

**DISBURSEMENTS:**

<b>Current:</b>										
Public safety	\$ 493,020	\$ 356,505	\$ 318,453	\$ 361,885	\$ 270,846	\$ 288,823	\$ 292,417	\$ 379,719	\$ 278,252	\$ 319,839
Public works	612,669	252,525	320,114	288,665	313,244	281,159	335,956	259,389	328,074	213,891
Health and social services	20,792	25,103	22,428	16,182	21,234	14,850	15,099	27,551	21,390	20,471
Culture and recreation	210,865	232,135	215,213	210,846	189,137	213,368	224,828	178,703	243,324	185,696
Community and economic development	122,536	74,687	42,029	58,113	109,100	111,841	62,221	96,122	148,049	56,743
General government	183,951	140,128	121,302	119,811	114,545	132,770	152,186	110,092	120,134	128,807
Debt service	380,654	358,318	208,487	88,108	198,645	191,493	198,083	167,701	105,855	102,836
Capital projects	769,933	1,062,951	5,031,844	92,501	205,244	175,717	394,350	342,529	270,154	244,085
<b>Total</b>	<b>\$ 2,794,420</b>	<b>\$ 2,502,352</b>	<b>\$ 6,279,870</b>	<b>\$ 1,236,111</b>	<b>\$ 1,421,995</b>	<b>\$ 1,410,021</b>	<b>\$ 1,675,140</b>	<b>\$ 1,561,806</b>	<b>\$ 1,515,232</b>	<b>\$ 1,272,368</b>

## **OTHER INFORMATION**

**City of Akron**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Other Information**  
**Year Ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property tax	\$ 418,251	\$ -	\$ 418,251	\$ 407,386	\$ 407,386	\$ 10,865
Tax increment financing	298,474	-	298,474	294,855	309,380	(10,906)
Other city tax	163,306	-	163,306	165,888	165,888	(2,582)
Licenses and permits	3,885	-	3,885	3,670	3,670	215
Use of money and property	35,726	1,244	36,970	18,109	38,109	(1,139)
Intergovernmental	334,878	-	334,878	166,683	228,328	106,550
Charges for services	252,898	1,861,533	2,114,431	2,160,680	2,283,203	(168,772)
Miscellaneous	34,338	1,599	35,937	98,491	116,366	(80,429)
<b>Total receipts</b>	<b>\$ 1,541,756</b>	<b>\$ 1,864,376</b>	<b>\$ 3,406,132</b>	<b>\$ 3,315,762</b>	<b>\$ 3,552,330</b>	<b>\$ (146,198)</b>
<b>DISBURSEMENTS:</b>						
Public safety	\$ 493,020	\$ -	\$ 493,020	\$ 341,222	\$ 533,347	\$ 40,327
Public works	612,669	-	612,669	375,736	562,796	(49,873)
Health and social services	20,792	-	20,792	28,188	28,188	7,396
Culture and recreation	210,865	-	210,865	302,256	302,256	91,391
Community and economic development	122,536	-	122,536	129,275	152,732	30,196
General government	183,951	-	183,951	136,577	136,577	(47,374)
Debt service	380,654	-	380,654	109,175	109,175	(271,479)
Capital projects	769,933	-	769,933	-	947,605	177,672
Business-type activities	-	1,587,808	1,587,808	1,644,643	1,654,643	66,835
<b>Total disbursements</b>	<b>\$ 2,794,420</b>	<b>\$ 1,587,808</b>	<b>\$ 4,382,228</b>	<b>\$ 3,067,072</b>	<b>\$ 4,427,319</b>	<b>\$ 45,091</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>\$ (1,252,664)</b>	<b>\$ 276,568</b>	<b>\$ (976,096)</b>	<b>\$ 248,690</b>	<b>\$ (874,989)</b>	<b>\$ (101,107)</b>
<b>OTHER FINANCING SOURCES (USES), NET</b>	<b>624,210</b>	<b>(452,968)</b>	<b>171,242</b>	<b>-</b>	<b>271,415</b>	<b>(100,173)</b>
<b>EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>\$ (628,454)</b>	<b>\$ (176,400)</b>	<b>\$ (804,854)</b>	<b>\$ 248,690</b>	<b>\$ (603,574)</b>	<b>\$ (201,280)</b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>1,294,864</b>	<b>510,245</b>	<b>1,805,109</b>	<b>554,955</b>	<b>1,509,084</b>	<b>296,025</b>
<b>BALANCE, END OF YEAR</b>	<b>\$ 666,410</b>	<b>\$ 333,845</b>	<b>\$ 1,000,255</b>	<b>\$ 803,645</b>	<b>\$ 905,510</b>	<b>\$ 94,745</b>

**City of Akron**  
**Notes to Other Information - Budgetary Reporting**  
**June 30, 2015**

The budgetary comparison is presented as Other Information. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The 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, a budget amendment increased receipts by \$236,568, increased disbursements by \$1,360,247 and increased other financing sources by \$271,415. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the public works, general government, and debt service functions.

**City of Akron**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**Other Information**  
**Last Fiscal Year\***

	<u>2015</u>
City's proportion of the net pension liability	0.004839%
City's proportionate share of the net pension liability	\$ 191,924
City's covered-employee payroll	\$ 484,645
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.60%
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.

**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 Akron  
 Schedule of City Contributions  
 Iowa Public Employees' Retirement System  
 Other Information  
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contribution	\$ 49,267	\$ 44,759	\$ 40,387	\$ 39,274	\$ 29,093	\$ 30,666	\$ 34,270	\$ 25,004	\$ 24,129	\$ 20,772
Contributions in relation to the statutorily required contribution	<u>(49,267)</u>	<u>(44,759)</u>	<u>(40,387)</u>	<u>(39,274)</u>	<u>(29,093)</u>	<u>(30,666)</u>	<u>(34,270)</u>	<u>(25,004)</u>	<u>(24,129)</u>	<u>(20,772)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll	\$ 532,239	\$ 484,645	\$ 447,022	\$ 461,883	\$ 382,710	\$ 425,477	\$ 465,581	\$ 378,963	\$ 366,198	\$ 323,191
Contributions as a percentage of covered-employee payroll	9.26%	9.24%	9.03%	8.50%	7.60%	7.21%	7.36%	6.60%	6.59%	6.43%

**City of Akron**  
**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 rate 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.

**City of Akron**  
**Notes to Other Information - Pension Liability**  
**Year Ended June 30, 2015**

CHANGES OF ASSUMPTIONS (CONTINUED):

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.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Akron, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the financial statements of the City's primary government, and have issued our report thereon dated March 30, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Akron, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Akron, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Akron, Iowa's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **City of Akron, Iowa's Responses to Findings**

The City of Akron, Iowa's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Akron, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sioux City, Iowa  
March 30, 2016

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

**City of Akron**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2015**

Part I: Findings Related to the Financial Statements:

No matters were reported.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-2015     Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, general government, and debt service functions. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." In addition, the City did not publish the notice of public hearing budget estimate within the required timeframe.

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

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

Conclusion - Response accepted.

II-B-2015     Questionable Disbursements - No disbursements were noted that did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-2015     Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-2015     Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-2015     Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-2015     Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-2015     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy.

**City of Akron**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2015**

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

II-H-2015     Annual Urban Renewal Report - The annual urban renewal report was not properly approved and certified to the Iowa Department of Management on or before December 1st.

Recommendation - The City should file the annual urban renewal report timely.

Response - The report will be filed timely.

Conclusion - Response accepted.

II-I-2015     Financial Condition - The Reed Street and Norka Drive Capital Projects Funds had deficit balances of \$30 and \$55,398, respectively at June 30, 2015.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The deficits were due to construction costs incurred prior to receipt of funds. These deficits will be funded.

Conclusion - Response accepted.

II-J-2015     Notice of Public Hearing for Public Improvement - The City did not publish the notice of public hearing for the Norka Drive project in the required timeframe, at least four but not more than twenty days prior to the hearing.

Recommendation - The notice should be published within the required timeframe.

Response - Future notices will be published timely.

Conclusion - Response accepted.

II-K-2015     EMMA Continuing Disclosure - The City has not provided to the Electronic Municipal Market Access (EMMA) system the General Obligation Care Center Bonds, Series 2012A continuing disclosures as required by SEC Rule 15c12-12.

Recommendation - The City should work with bond counsel to submit the continuing disclosures as required.

Response - We will work with our bond counsel and submit the required disclosures.

Conclusion - Response accepted.