

CITY OF ANITA

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

JUNE 30, 2004

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City of Anita

Officials

<u>Name</u>	<u>Title</u> (Before January 2004)	<u>Term Expires</u>
Timothy Miller	Mayor	January 2004
Lynn Crozier	Council Member	January 2004
Randy Pollock	Council Member	January 2004
Jason Alff	Council Member	January 2006
William Brenton	Council Member	January 2006
Wylie Waklert	Council Member	January 2006

<u>Name</u>	<u>Title</u> (After January 2004)	<u>Term Expires</u>
Michael Kraus	Mayor	January 2008
Jason Alff	Council Member	January 2006
William Brenton	Council Member	January 2006
Wylie Waklert	Council Member	January 2006
Linda Firebaugh	Council Member	January 2008
Marcia Hockenberry	Council Member	January 2008

Bette Dory	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite

City of Anita

October 6, 2004

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Anita, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Anita's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

In our opinion, except for the efforts of such adjustments, if any, as might have been determined necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Anita as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

Independent Auditor's Report
City of Anita

As described in Note 11, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 6, 2004 on our consideration of the City of Anita's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Anita's basic financial statements. Other supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the fourth preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Anita 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by \$19,825 from fiscal 2003 to fiscal 2004. Property tax decreased by \$12,716.
- Disbursements increased \$83,673 in fiscal 2004 from fiscal 2003. Public safety and capital project disbursements increased \$129,849 and \$55,407, respectively.
- The City's total cash basis net assets decreased \$65,454 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased \$89,057, and the assets of the business type activities increased by \$23,593.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the 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 Local Option Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the sewer fund, considered to be a major fund of the City.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$173,667 to \$84,610. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30, 2004
Receipts:	
Property tax	\$ 167,633
Other city tax	87,940
Licenses and permits	1,265
Use of money and property	5,335
Intergovernmental	122,543
Charges for service	540
Miscellaneous	85,139
Total receipts	<u>470,395</u>
Disbursements:	
Operating:	
Public safety	219,012
Public works	149,650
Culture and recreation	69,924
Community and economic development	7,068
General government	42,969
Debt service	10,133
Capital projects	61,196
Total disbursements	<u>559,952</u>
Deficiency of receipts under disbursements	(89,557)
Other financing sources (uses):	
Sale of capital assets	500
Operating transfers in	131,924
Operating transfers out	(131,924)
Total other financing sources	<u>500</u>
Net change in cash balances	(89,057)
Cash basis net assets beginning of year	<u>173,667</u>
Cash basis net assets end of year	<u>\$ 84,610</u>

The City's total receipts for governmental activities decreased \$19,825, primarily due to a decrease in property taxes. The total cost of all programs and services increased \$83,673, primarily due to the cost of a capital project.

The City's property tax rates for 2004 are at \$13.69190 per \$1,000 valuation. The property tax rates are kept at the lowest possible.

The cost of all governmental activities this year was \$622,295. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$354,709. The City paid for this with property taxes, local option sales taxes, other receipts and use of cash balances.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year Ended June 30, 2004
Operating receipts:	
Charges for service	\$ 85,936
Operating disbursements:	
Business type activities	<u>62,343</u>
Net change in cash balances	23,593
Cash basis net assts beginning of year	<u>31,646</u>
Cash basis net assets end of year	<u>\$ 55,239</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Anita completed the year, its governmental funds reported a combined fund balance of \$84,610, a decrease of \$89,057 from last year's total of \$173,667. The following are the major reasons for the changes in fund balances of the major funds from the prior years.

- The General Fund cash balance of \$42,206 decreased from \$120,933 due to the purchase of a fire truck at a cost of \$117,558, and a truck payment of \$10,133.
- The Road Use Tax Fund cash balance increased by \$2,302 to \$12,659 during the year.
- The Local Option Sales Tax Fund cash balance decreased by \$18,082 to \$13,924 during the year. The monies were used to finance a capital project.
- The Library Special Funds increased by \$5,450 to \$15,821 during the year due to donations received.
- The City spent \$61,196 on a capital project financed with local option sales tax monies.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased by \$23,593 to \$55,239, due primarily to a spending reduction.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on May 12, 2004. The first amendment increased the Public Safety Fund by \$130,000 to reflect the purchase of a fire truck in the amount of \$117,558, \$85,000 for Capital Projects, \$3,000 to General Government to cover a shortfall, and \$35,000 for Public Works. The second budget amendment was for costs incurred for the component unit.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$159,297 in bonds and other long-term debt, compared to approximately \$179,011 last year, as shown below.

	Outstanding Debt at Year End	
	(Expressed in Thousands)	
	June 30,	
	2004	2003
General Obligation notes	\$ 44	52
Revenue notes	115	127
Total	\$ 159	179

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 debt of approximately \$44,000 is significantly below its constitutional debt limit of approximately \$1,080,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Anita's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment has grown with the addition of a new factory.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators have been taken into account when adopting the budget for fiscal year 2005. Property tax proceeds should increase due to a reassessment of properties. Budgeted expenses are expected to increase due to employee costs and street construction projects. The City has not added any new programs or initiatives to the 2005 budget.

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 Betty Dory, City Clerk, 744 Main Street, Anita, Iowa.

City of Anita
Basic Financial Statements

City of Anita
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2004

	Program Receipts		
Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	
Functions/Programs:			
Governmental activities:			
Public safety	\$ 219,012	855	81,087
Public works	149,650	540	93,239
Culture and recreation	69,924	1,049	23,426
Community and economic development	7,068	0	0
General government	42,969	935	4,112
Debt service	10,133	0	0
Capital projects	61,196	0	0
Total governmental activities	559,952	3,379	201,864
Business type activities:			
Sewer	62,343	85,936	0
Total business type activities	62,343	85,936	0
Total Primary Government	\$ 622,295	89,315	201,864
Component Unit:			
Anita Municipal Utilities	\$ 833,196	726,372	149,932
General Receipts:			
Property tax levied for:			
General purposes			
Employee benefits			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Streets			
Community development and betterment			
Library purchases			
Debt service			
Capital improvements			
Meter deposits			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

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

Governmental Activities	Business Type Activities	Total	Component Unit Anita Municipal Utilities
(137,070)	0	(137,070)	0
(55,871)	0	(55,871)	0
(45,449)	0	(45,449)	0
(7,068)	0	(7,068)	0
(37,922)	0	(37,922)	0
(10,133)	0	(10,133)	0
(61,196)	0	(61,196)	0
<u>(354,709)</u>	<u>0</u>	<u>(354,709)</u>	<u>0</u>
0	23,593	23,593	0
<u>0</u>	<u>23,593</u>	<u>23,593</u>	<u>0</u>
(354,709)	23,593	(331,116)	0
0	0	0	43,108
\$ 134,831	0	134,831	0
39,638	0	39,638	0
81,104	0	81,104	0
6,142	0	6,142	0
1,673	0	1,673	40,139
1,764	0	1,764	0
500	0	500	0
<u>265,652</u>	<u>0</u>	<u>265,652</u>	<u>40,139</u>
(89,057)	23,593	(65,464)	83,247
<u>173,667</u>	<u>31,646</u>	<u>205,313</u>	<u>1,186,943</u>
\$ <u>84,610</u>	<u>55,239</u>	<u>139,849</u>	<u>1,270,190</u>
\$ 12,659	0	12,659	0
13,924	0	13,924	0
15,821	0	15,821	0
0	0	0	95,178
0	0	0	50,000
0	0	0	11,857
<u>42,206</u>	<u>55,239</u>	<u>97,445</u>	<u>1,113,155</u>
\$ <u>84,610</u>	<u>55,239</u>	<u>139,849</u>	<u>1,270,190</u>

City of Anita
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2004

	General	Road Use Tax	Special Local Option Sales Tax
Receipts			
Property tax	\$ 128,657	0	0
Other city tax	6,174	0	81,104
Licenses and permits	1,265	0	0
Use of money and property	5,290	0	0
Intergovernmental	33,146	87,369	0
Charges for service	540	0	0
Miscellaneous	70,997	0	0
Total receipts	<u>246,069</u>	<u>87,369</u>	<u>81,104</u>
Disbursements			
Operating:			
Public safety	219,012	0	0
Public works	64,583	85,067	0
Culture and recreation	59,159	0	0
Community and economic development	168	0	6,900
General government	42,969	0	0
Debt service	10,133	0	0
Capital projects	0	0	0
Total disbursements	<u>396,024</u>	<u>85,067</u>	<u>6,900</u>
Excess (deficiency) of receipts over (under) disbursements	(149,955)	2,302	74,204
Other financing sources (uses):			
Sale of capital assets	500	0	0
Operating transfers in	70,728	0	0
Operating transfers out	0	0	(92,286)
Total other financing sources (uses)	<u>71,228</u>	<u>0</u>	<u>(92,286)</u>
Net change in cash balances	(78,727)	2,302	(18,082)
Cash balances beginning of year	<u>120,933</u>	<u>10,357</u>	<u>32,006</u>
Cash balances end of year	<u>\$ 42,206</u>	<u>12,659</u>	<u>13,924</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 42,206	0	0
Special revenue funds	<u>0</u>	<u>12,659</u>	<u>13,924</u>
Total cash basis fund balances	<u>\$ 42,206</u>	<u>12,659</u>	<u>13,924</u>

See notes to financial statements

Exhibit B

Revenue		Other Nonmajor Special Revenue	
Library Special Fund	Capital Projects	Employee Benefits	Total
0	0	38,976	167,633
0	0	662	87,940
0	0	0	1,265
45	0	0	5,335
2,028	0	0	122,543
0	0	0	540
14,142	0	0	85,139
<u>16,215</u>	<u>0</u>	<u>39,638</u>	<u>470,395</u>
0	0	0	219,012
0	0	0	149,650
10,765	0	0	69,924
0	0	0	7,068
0	0	0	42,969
0	0	0	10,133
0	61,196	0	61,196
<u>10,765</u>	<u>61,196</u>	<u>0</u>	<u>559,952</u>
5,450	(61,196)	39,638	(89,557)
0	0	0	500
0	61,196	0	131,924
0	0	(39,638)	(131,924)
<u>0</u>	<u>61,196</u>	<u>(39,638)</u>	<u>500</u>
5,450	0	0	(89,057)
<u>10,371</u>	<u>0</u>	<u>0</u>	<u>173,667</u>
<u>15,821</u>	<u>0</u>	<u>0</u>	<u>84,610</u>
0	0	0	42,206
<u>15,821</u>	<u>0</u>	<u>0</u>	<u>42,404</u>
<u>15,821</u>	<u>0</u>	<u>0</u>	<u>84,610</u>

City of Anita
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Governmental Funds
 As of and for the year ended June 30, 2004

Total governmental funds cash balances	\$	84,610
<i>Adjustments</i>		
None		0
Cash basis net assets of governmental activities	\$	84,610
Net change in cash balances	\$	(89,057)
<i>Adjustments</i>		
None		0
Change in cash balance of governmental activities	\$	(89,057)

See notes to financial statements

City of Anita
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary – Sewer Enterprise Fund
 As of and for the year ended June 30, 2004

Operating receipts:		
Charges for service	\$	85,936
Operating disbursements:		
Business type activities		<u>62,343</u>
Net change in cash balances		23,593
Cash balances beginning of year		<u>31,646</u>
Cash balances end of year	\$	<u><u>55,239</u></u>
Cash Basis Fund Balances		
Unreserved	\$	<u><u>55,239</u></u>

See notes to financial statements

City of Anita
 Reconciliation of the Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 to the Statement of Activities and Net Assets –
 Proprietary Funds
 As of and for the year ended June 30, 2004

Total enterprise funds cash balances	\$	55,239
<i>Adjustments</i>		
None		0
Cash basis net assets of business type activities	\$	55,239
Net change in cash balances	\$	23,593
<i>Adjustments</i>		
None		0
Change in cash balance of business type activities	\$	23,593

See notes to financial statements

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies

The City of Anita is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1876 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, culture and recreation, community and economic development, and general government services. The City also provides a sewer utility for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anita 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.

These financial statements present the City of Anita (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The Anita Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but it is financially accountable to the city, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Anita Municipal Utilities is governed by a three-member board appointed by the City Council and its operating budget is subject to the approval of the City Council.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies – Continued

A. Reporting Entity - Continued

Jointly Governed Organizations

The City 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: Cass County Emergency Management Commission, Cass County Landfill Association Board and Cass County E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

The Statement of Activities and Net Assets 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 nonmajor governmental funds.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for community development and betterment.

The Library Special Fund is used to account for the disbursement of library grants and donations.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Anita 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.

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

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2002, to compute the amounts which became liens on property on July 1, 2003. These taxes were due and payable in two installments on September 30, 2003 and March 31, 2004, at the Cass County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$139,849.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of the general obligation note and revenue notes are as follows:

Year Ended June 30,	General Obligation Note		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 8,073	2,060	\$ 12,000	5,313	\$ 20,073	7,373
2006	8,448	1,684	13,000	4,759	21,448	6,443
2007	8,841	1,291	13,000	4,158	21,841	5,449
2008	9,252	880	14,000	3,559	23,252	4,439
2009	9,683	450	15,000	2,913	24,683	3,363
2010	0	0	15,000	2,218	15,000	2,218
2011	0	0	16,000	1,527	16,000	1,527
2012	0	0	17,000	787	17,000	787
Total	\$ 44,297	6,365	\$ 115,000	25,234	\$ 159,297	31,599

Interest costs paid during the year ended June 30, 2004 totaled \$8,286.

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

- a) Maintain the system in good condition.
- b) Adopt rates sufficient to produce net revenue sufficient to meet the requirements of the funds provided in the resolution.
- c) Maintain insurance and fidelity bond coverage.
- d) Keep proper books and cause the books and accounts to be audited as law requires.
- e) Require proper connecting charges.
- f) Adopt a budget before the end of each fiscal year for the following year.

The City has complied with the provisions of the resolution.

The City has a general obligation debt limitation of approximately \$1,080,000 which was not exceeded during the year ended June 30, 2004.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (4) Operating Lease

The City currently leases land for burning under an operating lease. Rent expense for the year was \$1,000. There are no required future minimum lease payments under the lease.

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70 % of their annual salary and the City is required to contribute 5.75 % of annual covered payroll, except for police employees, in which case the percentages are 5.93 % and 8.90 %, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$7,125, equal to the required contributions for the year.

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time 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, 2004, primarily relating to the General Fund is \$3,683. This liability is computed on rates of pay effective as of June 30, 2004.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 39,638
	Local Option Sales Tax	<u>31,090</u>
		70,728
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>61,196</u>
		<u>\$ 131,924</u>

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

NOTE (8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members are from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (8) Risk Management - Continued

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contribution to the Pool for the year ended June 30, 2004 was \$19,074. The City also made a late contribution of \$17,024 during the year.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$5,000 each accident, each location, with excess coverage reinsured on an individual member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workmen's compensation insurance purchased from Iowa Municipal Workers Compensation Association. The City assumes liability for any deductions, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Anita
Notes to Financial Statements
June 30, 2004

NOTE (9) Related Party Transactions

Anita Municipal Utilities

The Anita Municipal Utilities is a separate entity established by the voters in 1938. The Utilities is governed by its own Board of Trustees. The Utilities has its own set of records which are audited separately and are discretely presented in these financial statements.

The Anita Municipal Utilities acts as a collecting agent for the City for sewer fees. Customer bills include allocations for electricity, water and sewer. Collected sewer fees are deposited, and monthly totals are remitted to the City. During the current period the Utilities remitted \$81,118 in sewer fees to the City.

NOTE (10) Construction Contract and Commitment

The City has entered into the following contract which was not complete as of June 30, 2004:

<u>Project</u>	<u>Estimated Total Contract Price</u>	<u>Paid to June 30, 2004</u>	<u>Remaining Commitment</u>	<u>Retainage Payable</u>
Land Improvement	\$ 51,107	\$ 45,607	\$ 5,500	\$ 2,400

NOTE (11) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. The accounting change has no effect on beginning net assets.

Required Supplementary Information

City of Anita
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Actual</u>
Receipts			
Property tax	\$ 167,633	0	167,633
Other city tax	87,940	0	87,940
Licenses and permits	1,265	0	1,265
Use of money and property	5,335	0	5,335
Intergovernmental	122,543	0	122,543
Charges for service	540	85,936	86,476
Miscellaneous	<u>85,139</u>	<u>0</u>	<u>85,139</u>
Total receipts	470,395	85,936	556,331
Disbursements			
Public safety	219,012	0	219,012
Public works	149,650	0	149,650
Culture and recreation	69,924	0	69,924
Community and economic development	7,068	0	7,068
General government	42,969	0	42,969
Debt service	10,133	0	10,133
Capital projects	61,196	0	61,196
Business type activities	<u>0</u>	<u>62,343</u>	<u>62,343</u>
Total disbursements	<u>559,952</u>	<u>62,343</u>	<u>622,295</u>
Excess (deficiency) of receipts over (under) disbursements	(89,557)	23,593	(65,964)
Other financing sources, net	<u>500</u>	<u>0</u>	<u>500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(89,057)	23,593	(65,464)
Balances beginning of year	<u>173,667</u>	<u>31,646</u>	<u>205,313</u>
Balances end of year	<u>\$ 84,610</u>	<u>55,239</u>	<u>139,849</u>

See accompanying independent auditor's report

Budgeted Amounts		Budget to Actual Variance
Original	Final	
167,428	167,428	205
68,084	68,084	19,856
2,500	2,500	(1,235)
5,000	5,000	335
124,580	124,580	(2,037)
66,149	66,149	20,327
47,078	111,674	(26,535)
<u>480,819</u>	<u>545,415</u>	<u>10,916</u>
93,100	223,100	4,088
130,000	165,000	15,350
60,285	60,285	(9,639)
21,450	21,450	14,382
38,000	41,000	(1,969)
0	0	(10,133)
15,000	100,000	38,804
104,524	104,524	42,181
<u>462,359</u>	<u>715,359</u>	<u>93,064</u>
18,460	(169,944)	103,980
<u>0</u>	<u>0</u>	<u>500</u>
18,460	(169,944)	104,480
<u>230,840</u>	<u>230,840</u>	<u>(25,527)</u>
<u>249,300</u>	<u>60,896</u>	<u>78,953</u>

City of Anita
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

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 major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$253,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, general government and debt service functions.

Other Supplementary Information

City of Anita
Schedule of Indebtedness
Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation note: Equipment	Mar 25, 2003	4.65 %	\$ 62,144
Revenue notes: Sewer	May 14, 1992	4.62 %	\$ 225,000

See accompanying independent auditor's report

Schedule 1

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ <u>52,011</u>	<u>0</u>	<u>7,714</u>	<u>44,297</u>	<u>2,419</u>	<u>0</u>
\$ <u>127,000</u>	<u>0</u>	<u>12,000</u>	<u>115,000</u>	<u>5,867</u>	<u>0</u>

City of Anita
 Bond and Note Maturities
 June 30, 2004

Year Ending June 30,	<u>General Obligation Note</u>			<u>Revenue Note</u>		
	Equipment			Sewer		
	Issued May 14, 1992			Issued Mar 25, 2003		
	Interest			Interest		
	Rate	Amount		Rate	Amount	
2005	4.65 %	\$ 8,073		4.62 %	\$ 12,000	
2006	4.65 %	8,448		4.62 %	13,000	
2007	4.65 %	8,841		4.62 %	13,000	
2008	4.65 %	9,252		4.62 %	14,000	
2009	4.65 %	9,683		4.62 %	15,000	
2010	-	0		4.62 %	15,000	
2011	-	0		4.62 %	16,000	
2012	-	0		4.62 %	17,000	
Total		\$ 44,297			\$ 115,000	

See accompanying independent auditor's report

City of Anita

October 6, 2004

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Anita, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 6, 2004. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Anita's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Anita's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior audit reportable conditions, I-A-04, I-B-04 and I-C-04 have not been resolved.

Continued...

City of Anita
Independent Auditor's Report on
Internal Control and Compliance

Compliance

As part of obtaining reasonable assurance about whether the City of Anita's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 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. Prior audit statutory comments have been resolved except for items II-A-04, II-I-04 and II-J-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anita and other parties to whom the City of Anita may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

City of Anita
Schedule of Findings
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, and reconciling are all done by the same person.

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

Response – 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-04 Support Documentation

Comment – We noted instances in which documentation was not available to support employee meal/mileage reimbursements.

Recommendation – The City should review procedures to insure that all meal/mileage reimbursements are properly substantiated.

Response – We will review our procedures.

Conclusion – Response acknowledged.

I-C-04 Vacation Policy

Comment – The City's vacation/sick leave policies are understood, but documentation could not be found.

Recommendation – The City should document its personnel policies and distribute a copy to all employees. An office copy should be accessible for reference.

Response – We will do this.

Conclusion – Response accepted.

City of Anita
Schedule of Findings
Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories

Comment – The City was unable to locate its resolution naming official depositories, however, all deposits were held in allowable depositories within the county in which the City is located.

Recommendation – the City should adopt a resolution naming official depositories and depository limits in its Council minutes.

Response – We will adopt a depository resolution in our minutes.

Conclusion – Response accepted.

II-B-04 Certified Budget

Comment - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the culture and recreation, general government and debt service 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-C-04 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

II-D-04 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Anita
 Schedule of Findings
 Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting Continued:

II-E-04 Business Transactions

Business transactions between the City and City officials or employees are detailed.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Dory, employee's spouse, no business connection	Contract Services	\$ 248
Jason Alff, Council Member, no business connection	Contract Services	<u>1,276</u>
		<u>\$ 1,524</u>

In accordance with Chapter 362.5(10) of the Iowa Code, the transactions with the Council Member do not appear to represent a conflict of interest since the total transactions with the individual did not exceed \$2,500 during the fiscal year.

II-F-04 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-G-04 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-04 Revenue Notes

The City is in compliance with the provisions of the revenue note resolution.

II-I-04 Deposits and Investments

Comment – We noted that the City does not have a written investment policy as required by the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

Recommendation – A written investment policy should be adopted in accordance with Chapter 12B and 12C of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

City of Anita
Schedule of Findings
Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting Continued:

II-J-04 Public Property

Comment – The City Council has not established a policy of vehicle usage for other than City purposes. Private use of public property is prohibited by Article III Section 31 of the constitution of the State of Iowa which states in part, “...no public money or property shall be appropriated for local or private purpose.”

Recommendation – The City should establish a policy prohibiting private usage of public vehicles.

Response – We will consider adopting a policy.

Conclusion – Response acknowledged.

NEWS RELEASE

Schroer & Associates, P.C. today released an audit report on the City of Anita, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$556,831 for the year ended June 30, 2004. The receipts included \$174,469 in property tax, \$89,315 from charges for service, \$201,864 from operating grants, contributions and restricted interest, \$81,104 from local option sales tax, \$1,673 from unrestricted investment earnings and \$8,406 from other general receipts.

Disbursements for the year totaled \$622,295, and included \$219,012 for public safety, \$149,650 for public works, and \$69,924 for culture and recreation. Also, disbursements for business type activities totaled \$62,343.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.