

CITY OF ANAMOSA, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005

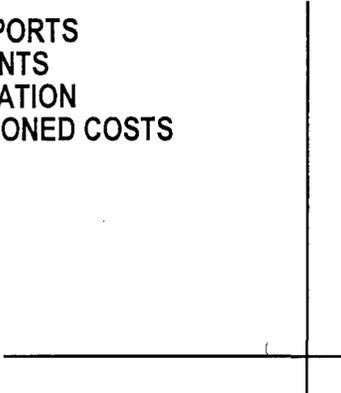


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CITY OF ANAMOSA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Hatcher	Mayor	January 2006
Bob George	Council Member	January 2008
Dennis Hansen	Council Member	January 2006
Steve Vaca	Council Member	January 2008
Brian Harmon	Council Member	January 2008
Herb Spencer	Council Member	January 2006
Bernie Keeney	Council Member	January 2006
John Haldeman	City Administrator/City Clerk	Indefinite
Tammy Coons	Treasurer/Deputy City Clerk	Indefinite
Adrian Knuth	City Attorney	Indefinite

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, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2005, 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 Anamosa's management. 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 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 that our audit provides a reasonable basis for our opinion.

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 accounting principles generally accepted in the United States of America.

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, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa as of June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2005 on our consideration of the City of Anamosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 14 and 34 through 36 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. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the previous two years (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 17, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anamosa 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues totaled \$4.6 million.
- Disbursements totaled \$4.6 million.
- The City's total cash basis net assets at fiscal year ended June 30, 2005 totaled \$5.6 million.

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 non-major 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 accounting principles generally accepted in United States of America. 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 waterworks and sanitary sewer systems. 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 Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

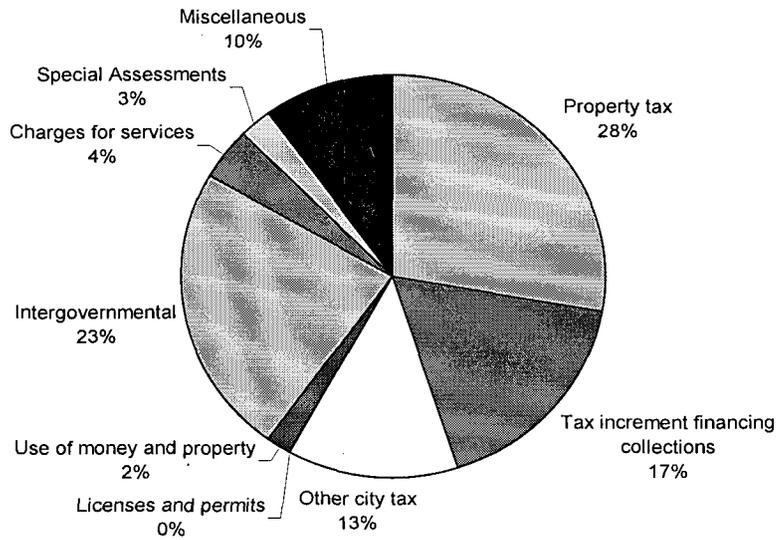
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2005 is \$4.2 million.

Changes in Cash Basis Net Assets of Governmental Activities

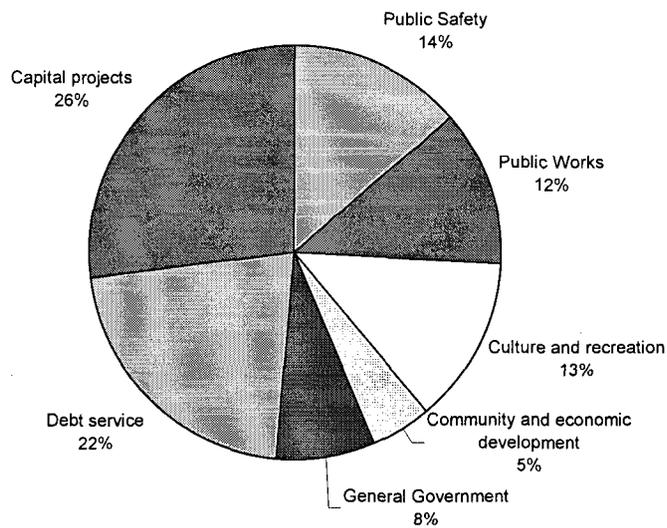
	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Receipts:		
Property tax	\$ 914,511	\$ 940,696
Tax increment financing collections	565,948	454,698
Other city tax	427,377	395,753
Licenses and permits	7,460	7,661
Use of money and property	63,342	75,190
Intergovernmental	768,030	764,761
Charges for services	137,328	145,985
Special assessments	82,810	8,360
Miscellaneous	<u>325,446</u>	<u>1,065,431</u>
Total receipts	3,292,252	3,858,535
Disbursements:		
Operating:		
Public safety	531,939	528,379
Public works	477,866	404,352
Culture and recreation	499,851	444,179
Community and economic development	190,267	207,741
General government	296,893	236,734
Debt service	840,653	827,284
Capital projects	<u>1,052,322</u>	<u>3,276,852</u>
Total disbursements	3,889,791	5,925,521
Excess (deficiency) of receipts over (under) disbursements	(597,539)	(2,066,986)
Other Financing Sources (Uses):		
Bond proceeds	210,000	18,000
Debt payments received	25,000	24,407
Operation transfers in	1,302,652	4,803,905
Sale of capital assets	89,422	19,465
Operating transfers out	<u>(1,302,652)</u>	<u>(4,803,905)</u>
Net other financing sources (uses)	<u>324,422</u>	<u>61,872</u>
Net change in cash basis net assets	(273,117)	(2,005,114)
Cash basis net assets, beginning	<u>4,491,765</u>	<u>6,424,071</u>
Cash basis net assets, ending	<u>\$ 4,218,648</u>	4,418,957
Permanent Fund, not added FY 2004 report		<u>72,808</u>
Cash basis net assts, ending		<u>\$ 4,491,765</u>

Receipts by Source



Property tax	Tax increment financing collections	Other city tax
Licenses and permits	Use of money and property	Intergovernmental
Charges for services	Special Assessments	Miscellaneous

Disbursements by Function



Public Safety	Public Works	Culture and recreation
Community and economic development	General Government	Debt service
Capital projects		

The City's total receipts for governmental activities were \$3,616,674, which included bond proceeds, debt payments and sale of capital assets.

The City increased property tax rates for 2005 only slightly (.008 percent). The total tax levy increased, but the actual tax revenues decreased due to the reduction in the impact of the state roll back and uncollected taxes.

The cost of all governmental activities this year was nearly \$3.8 million. However, with \$1 million of this cost being capital projects, which were paid for with bond proceeds carried over from the two previous fiscal years.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Operating Receipts:		
Charges for services:		
Water	\$ 498,466	\$ 500,961
Sewer	599,137	500,061
Nonoperating Receipts (Disbursements):		
Interest on investments	22,122	16,932
Miscellaneous	<u>167,956</u>	<u>129,491</u>
Total receipts	1,287,681	1,147,445
Disbursements:		
Water	382,622	404,342
Sewer	375,309	392,066
Debt service	<u>283,994</u>	<u>279,875</u>
Total disbursements	1,041,925	1,076,283
Increase in cash basis net assets	245,756	71,162
Cash basis net assets beginning of year	<u>1,189,411</u>	<u>1,118,249</u>
Cash basis net assets end of year	<u>\$ 1,435,167</u>	<u>\$ 1,189,411</u>

Total business type activities receipts for the fiscal year were \$1,287,681. The cash balance increased by approximately \$245,757 from the prior year. Total disbursements for the fiscal year were \$1,041,924.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$4.2 million, a decrease of \$200,000 below last year's total of \$4.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance saw an increase of \$271,452 from the prior year to \$2 million. This is due in part to the sale of city property creating a revenue of \$89,422. There has also been a shift of \$20,000 from LOT to General Fund due to the Gas Franchise Fee of 2%, which basically replaces the Local Option Sales Tax revenue. There was also an increase in the transfer amount from the LOT to the general fund of \$90,000.
- The Road Use Tax Fund cash balance decreased slightly to \$464,695 during the fiscal year. This slight decrease was due to the fact that the 2002 Streetscapes project, RUT Revenue Bond Issue used \$152,918 of the RUT funds received to pay the annual debt payment and the majority of the remaining balance was used to support the Public Works Department.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$43,429 to \$627,636, with \$291,878 in reserves.
- The Sewer Fund cash balance increased by \$185,300 to \$652,019, with \$248,148 in reserves.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 23, 2005 and resulted in an increase in disbursements to all programs except Health & Social Services and Debt Service. The largest portion of the amendment was due to capital projects expenses. Another large portion was in General Government for expenses relating to the City Administrator leaving employment and the payout of final benefits per his contract. It was also related to the incurred expenses for recruitment for his replacement and the interim services cost. The Public Works and Public Safety areas saw significant increases due to the purchasing of capital equipment such as vehicles.

DEBT ADMINISTRATION

Outstanding Debt at Year-End

	<u>Year Ended June 30, 2005</u>
General obligation bonds	\$ 2,591,280
General obligation notes	946,725
Urban renewal tax increment financing revenue bonds	560,992
RUT revenue bonds	1,430,000
Water revenue bonds	805,000
Sewer revenue bonds	<u>1,520,000</u>
Total	<u>\$ 7,853,997</u>

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 \$3,538,005 along with the TIF debt of \$560,992 is significantly below its constitutional debt limit of approximately \$7.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Anamosa'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. Unemployment in Jones County averaged 5.4 percent in 2005. This compares with the State's average unemployment rate of 4.7 percent in 2005.

The housing market is strong in Anamosa. During calendar year 2005, 15 single family homes were built, 1-duplex, 1-two unit zero lot line and a new Super Wal-Mart were also built.

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 any questions about this report or need additional financial information, contact Patrick Callahan, City Administrator, 107 S. Ford Street, Anamosa, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF ANAMOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

		<u>Program Receipts</u>		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 531,939	\$ 11,549	\$ 61,416	\$ -
Public works	477,866	24,345	461,231	-
Culture and recreation	499,851	158,255	76,478	236
Community and economic development	190,267	6,110	-	76,264
General government	296,893	33,071	-	-
Debt service	840,653	-	-	-
Capital projects	<u>1,052,322</u>	<u>-</u>	<u>-</u>	<u>158,703</u>
Total governmental activities	<u>3,889,791</u>	<u>233,330</u>	<u>599,125</u>	<u>235,203</u>
Business-type activities:				
Water	495,615	543,889	12,182	-
Sewer	<u>546,309</u>	<u>721,670</u>	<u>9,939</u>	<u>-</u>
Total business type activities	<u>1,041,924</u>	<u>1,265,559</u>	<u>22,121</u>	<u>-</u>
Total	<u>4,931,715</u>	<u>1,498,889</u>	<u>621,246</u>	<u>235,203</u>

GENERAL RECEIPTS:

Property taxes levied for:
 General purposes
 Employee benefits
 Tax increment financing
 Debt service
Other city tax
Local option sales tax
Grants and contributions not restricted to specific purposes
Unrestricted interest on investments
Special assessments

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (458,974)	\$ -	\$ (458,974)
7,710	-	7,710
(264,882)	-	(264,882)
(107,893)	-	(107,893)
(263,822)	-	(263,822)
(840,653)	-	(840,653)
<u>(893,619)</u>	<u>-</u>	<u>(893,619)</u>
<u>(2,822,133)</u>	<u>-</u>	<u>(2,822,133)</u>
-	60,456	60,456
<u>-</u>	<u>185,300</u>	<u>185,300</u>
<u>-</u>	<u>245,756</u>	<u>245,756</u>
<u>(2,822,133)</u>	<u>245,756</u>	<u>(2,576,377)</u>
493,059	-	493,059
223,274	-	223,274
565,948	-	565,948
197,759	-	197,759
105,762	-	105,762
324,060	-	324,060
198,046	-	198,046
31,601	-	31,601
82,810	-	82,810

(continued)

CITY OF ANAMOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

		<u>Program Receipts</u>	
		<u>Operating</u>	<u>Capital</u>
		<u>Grants,</u>	<u>Grants,</u>
		<u>Contributions,</u>	<u>Contributions</u>
		<u>and Restricted</u>	<u>and Restricted</u>
	<u>Disbursements</u>	<u>Interest</u>	<u>Interest</u>
	<u>Charges for</u>		
	<u>Services</u>		
Bond proceeds			
Debt proceeds received			
Sale of capital assets			
Miscellaneous			
Total general receipts			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING			
CASH BASIS NET ASSETS, ENDING			
CASH BASIS NET ASSETS:			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

Governmental Activities	Business Type Activities	Total
210,000	-	210,000
25,000	-	25,000
89,422	-	89,422
<u>2,275</u>	<u>-</u>	<u>2,275</u>
<u>2,549,016</u>	<u>-</u>	<u>2,549,016</u>
(273,117)	245,756	(27,361)
<u>4,491,765</u>	<u>1,189,411</u>	<u>5,681,176</u>
<u>\$ 4,218,648</u>	<u>\$ 1,435,167</u>	<u>\$ 5,653,815</u>
\$ 464,695	\$ -	\$ 464,695
326,879	-	326,879
205,805	-	205,805
948,066	748,294	1,696,360
<u>2,273,203</u>	<u>686,873</u>	<u>2,960,076</u>
<u>\$ 4,218,648</u>	<u>\$ 1,435,167</u>	<u>\$ 5,653,815</u>

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF ANAMOSA

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

As of and for the year ended June 30, 2005

		Special Revenue				
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	
RECEIPTS:						
Property tax	\$ 493,059	\$ -	\$ -	\$ -	\$ 197,759	
Tax increment financing collections	-	-	-	565,948	-	
Other city tax	92,289	-	324,060	-	10,609	
Licenses and permits	7,460	-	-	-	-	
Use of money and property	42,957	-	8,484	5,052	2,208	
Intergovernmental	196,238	461,225	-	-	-	
Charges for services	134,009	-	-	-	-	
Special assessments	-	-	-	-	-	
Miscellaneous	<u>258,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total receipts	<u>1,224,370</u>	<u>461,225</u>	<u>332,544</u>	<u>571,000</u>	<u>210,576</u>	
DISBURSEMENTS:						
Operating:						
Public safety	528,819	-	-	-	-	
Public works	172,889	273,183	31,794	-	-	
Culture and recreation	480,849	-	-	-	-	
Community and economic development	102,467	-	-	87,800	-	
General government	253,576	43,317	-	-	-	
Debt service	-	152,918	-	423,587	264,148	
Capital projects	<u>-</u>	<u>-</u>	<u>1,343</u>	<u>-</u>	<u>-</u>	
Total disbursements	<u>1,538,600</u>	<u>469,418</u>	<u>33,137</u>	<u>511,387</u>	<u>264,148</u>	
Excess (deficiency) of receipts over (under) disbursements	<u>(314,230)</u>	<u>(8,193)</u>	<u>299,407</u>	<u>59,613</u>	<u>(53,572)</u>	
OTHER FINANCING SOURCES (USES):						
Bond proceeds	50,000	-	-	160,000	-	
Debt payments received	25,000	-	-	-	-	
Operating transfers in	421,260	-	225,486	-	60,000	
Sale of fixed assets	89,422	-	-	-	-	
Operating transfers out	<u>-</u>	<u>-</u>	<u>(216,175)</u>	<u>(60,000)</u>	<u>-</u>	
Net other financing sources (uses)	<u>585,682</u>	<u>-</u>	<u>9,311</u>	<u>100,000</u>	<u>60,000</u>	

<u>Capital Projects</u>	Other Nonmajor Governmental	
<u>Library</u>	<u>Funds</u>	<u>Totals</u>
\$ -	\$ 223,693	\$ 914,511
-	-	565,948
-	419	427,377
-	-	7,460
734	3,907	63,342
76,567	34,000	768,030
-	3,319	137,328
-	82,810	82,810
<u>3,130</u>	<u>63,958</u>	<u>325,446</u>
<u>80,431</u>	<u>412,106</u>	<u>3,292,252</u>
-	3,120	531,939
-	-	477,866
-	19,002	499,851
-	-	190,267
-	-	296,893
-	-	840,653
<u>398,903</u>	<u>652,076</u>	<u>1,052,322</u>
<u>398,903</u>	<u>674,198</u>	<u>3,889,791</u>
<u>(318,472)</u>	<u>(262,092)</u>	<u>(597,539)</u>
-	-	210,000
-	-	25,000
286,942	308,964	1,302,652
-	-	89,422
<u>-</u>	<u>(1,026,477)</u>	<u>(1,302,652)</u>
<u>286,942</u>	<u>(717,513)</u>	<u>324,422</u>

(continued)

CITY OF ANAMOSA

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

As of and for the year ended June 30, 2005

	Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service
NET CHANGE IN CASH BALANCE	271,452	(8,193)	308,718	159,613	6,428
CASH BALANCE, BEGINNING	<u>1,826,724</u>	<u>472,888</u>	<u>471,638</u>	<u>167,266</u>	<u>116,401</u>
CASH BALANCE, ENDING	<u>\$2,098,176</u>	<u>\$ 464,695</u>	<u>\$ 780,356</u>	<u>\$ 326,879</u>	<u>\$ 122,829</u>
 CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 122,829
Unreserved:					
General	2,098,176	-	-	-	-
Special revenue funds	-	464,695	780,356	326,879	-
Capital project funds	-	-	-	-	-
Permanent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$2,098,176</u>	<u>\$ 464,695</u>	<u>\$ 780,356</u>	<u>\$ 326,879</u>	<u>\$ 122,829</u>

<u>Capital Projects</u>	Other Nonmajor Governmental Funds	Totals
<u>Library</u>	<u>Funds</u>	<u>Totals</u>
(31,530)	(979,605)	(273,117)
<u>74,208</u>	<u>1,362,640</u>	<u>4,491,765</u>
<u>\$ 42,678</u>	<u>\$ 383,035</u>	<u>\$4,218,648</u>
\$ -	\$ -	\$ 122,829
-	-	2,098,176
-	50,824	1,622,754
42,678	258,003	300,681
<u>-</u>	<u>74,208</u>	<u>74,208</u>
<u>\$ 42,678</u>	<u>\$ 383,035</u>	<u>\$4,218,648</u>

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF ANAMOSA

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

As of and for the year ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>
OPERATING RECEIPTS:				
Charges for services	\$ 498,466	\$ 599,137	\$ -	\$ 1,097,603
Miscellaneous	<u>22,823</u>	<u>122,533</u>	<u>22,600</u>	<u>167,956</u>
Total operating receipts	<u>521,289</u>	<u>721,670</u>	<u>22,600</u>	<u>1,265,559</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	374,695	-	7,927	382,622
Sewer	<u>-</u>	<u>375,309</u>	<u>-</u>	<u>375,309</u>
Total operating disbursements	<u>374,695</u>	<u>375,309</u>	<u>7,927</u>	<u>757,931</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>146,594</u>	<u>346,361</u>	<u>14,673</u>	<u>507,628</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	9,828	- 9,939	2,355	22,122
Debt service	<u>(112,993)</u>	<u>(171,000)</u>	<u>-</u>	<u>(283,993)</u>
Net nonoperating receipts (disbursements)	<u>(103,165)</u>	<u>(161,061)</u>	<u>2,355</u>	<u>(261,871)</u>
NET CHANGE IN CASH BALANCE	43,429	185,300	17,028	245,757
CASH BALANCE, BEGINNING	<u>584,207</u>	<u>466,719</u>	<u>138,484</u>	<u>1,189,410</u>
CASH BALANCE, ENDING	<u>\$ 627,636</u>	<u>\$ 652,019</u>	<u>\$ 155,512</u>	<u>\$ 1,435,167</u>
CASH BASIS FUND BALANCE:				
Reserved for other purposes	\$ 291,878	\$ 248,148	\$ 155,512	\$ 695,538
Unreserved	<u>335,758</u>	<u>403,871</u>	<u>-</u>	<u>739,629</u>
Total cash basis fund balance	<u>\$ 627,636</u>	<u>\$ 652,019</u>	<u>\$ 155,512</u>	<u>\$ 1,435,167</u>

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Anamosa is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Manager-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 water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anamosa 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.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jones County Assessor's Conference Board, Jones County E911 Service Board, and Jones County Landfill Agency.

B. Basis of Presentation

Governmental-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.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(1) **Summary of Significant Accounting Policies** (continued):

B. Basis of Presentation (continued)

Governmental-wide Financial Statements (continued)

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.

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

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax.

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

CITY OF ANAMOSA
Notes to Financial Statements
June 30, 2005

(1) **Summary of Significant Accounting Policies** (continued):

B. Basis of Presentation (continued)

Capital Projects:

The Library Fund is used to account for the Library capital project.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Anamosa 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, or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Debt Service Fund.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 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.

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 12 months of receipt) in instruments that mature within 365 days. Funds not identified as operating funds may be invested in investments with maturities longer than 365 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

The annual debt service requirements to maturity of general obligation bonds and the general obligation note are as follows:

	<u>General Obligation Bonds and Notes</u>		<u>Special Revenue Bonds and Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 203,670	\$ 55,575	\$ 341,330	\$ 186,355	\$ 175,000	\$ 111,897	\$ 720,000	\$353,827
2007	184,353	46,095	351,482	176,725	180,000	104,660	715,835	327,480
2008	161,185	38,368	301,266	164,244	185,000	97,040	647,451	299,652
2009	136,869	30,839	297,678	152,506	195,000	88,935	629,547	272,280
2010	94,636	24,555	311,341	140,756	205,000	80,125	610,977	245,436
2011	85,319	20,523	325,657	128,810	215,000	70,585	625,976	219,918
2012	91,687	16,223	334,291	113,740	220,000	60,243	645,978	190,206
2013	97,370	12,107	343,607	98,758	235,000	49,320	675,977	160,185
2014	28,737	7,369	352,240	83,031	250,000	37,470	630,977	127,870
2015	30,104	6,077	330,873	66,575	145,000	24,665	505,977	97,317
2016	31,471	4,694	328,506	50,771	155,000	17,125	514,977	72,590
2017	32,838	3,216	342,516	34,874	165,000	8,910	540,354	47,000
2018	33,514	1,641	356,485	17,976	-	-	389,999	19,617
	<u>\$1,211,753</u>	<u>\$ 267,282</u>	<u>\$4,317,272</u>	<u>\$1,415,121</u>	<u>\$2,325,000</u>	<u>\$ 750,975</u>	<u>\$7,854,025</u>	<u>\$2,433,378</u>

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(3) Bonds and Notes Payable (continued)

General obligation refunding notes were issued on November 1, 2002 with an average rate of 3.83% to redeem \$330,000 in 1991 general obligation bonds and \$125,000 in 1994 general obligation notes with average interest rates of 6.17% and 6.57%, respectively, prior to maturity. The City refunded the 1991 and 1994 debt to change its debt service requirements from approximately \$534,000 over the five years 2003 through 2007 to \$617,000 over the sixteen years 2003 through 2018 resulting in an economic gain (difference between the present values of the debt service payments of the old and new debt) of approximately \$18,000.

During 2004, the City entered into a general obligation note payable to buy a police car for \$18,000. The City had a remaining balance on the note as of June 30, 2005 of \$14,400.

Road use tax revenue notes were issued on November 1, 2002 to provide funds for the construction of street and street related improvements in connection with the City's Downtown Streetscape Project. The bonds are payable solely from road use tax revenues and are callable on June 1, 2012. The resolution providing for the issuance of the road use tax revenue bonds includes the following provisions:

- a) An amount equal to 1/6th of the next interest due is to be set aside in a road use tax sinking fund.
- b) A reserve fund is to be established with a required fund balance of \$152,675.
- c) All road use tax revenues remaining after making the required payments into the sinking and reserve funds shall be placed in a surplus fund which may be used to pay for road related improvements and services.

Tax increment financing revenue refinancing notes were issued on November 1, 2002 with an average rate of 3.64% to redeem the following tax increment financing bonds:

<u>Description</u>	<u>Amount</u>	<u>Average Interest Rate</u>
1992 TIF Revenue Bond	\$ 44,762	9.00 %
1997 TIF Revenue Bond	116,248	7.50 %
1998 TIF Revenue Bond	36,000	7.50 %
1999 TIF Revenue Bond	<u>263,350</u>	<u>7.00 %</u>
Total	<u>\$ 460,360</u>	<u>7.36 %</u>

The City refunded the TIF debt above to reduce its debt service over the next twelve years by approximately \$35,000 resulting in an economic gain (difference between the present values of the debt service payments of the old and new debt) of approximately \$58,000.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(3) Bonds and Notes Payable (continued)

Tax increment financing general bonds were issued on November 1, 2002 to provide funds to pay costs of the City's Downtown Streetscape Project and other street, water and sanitary improvements and related improvements in the City's urban renewal districts. The bonds are callable on June 1, 2010.

All tax increment financing debt is payable solely from the income and proceeds of the Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- a) The City shall generate net revenues from water operations sufficient to pay the annual installments on the notes.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in a water sinking fund.
- c) A reserve fund is to be established with a required fund balance of \$118,000.
- d) An improvement and extension fund is to be established with a required fund balance of \$50,000.

Sewer revenues refunding notes were issued on October 1, 2002, with an average rate of 4.55% to redeem \$1,640,000 in 1994 sewer revenue notes with an average interest rate of 6.98%. The City refunded the 1994 sewer revenue to change its debt service requirements from approximately \$1,973,000 over the three years 2003 through 2005 to approximately \$2,325,000 over the fifteen years 2003 through 2017, resulting in an economic gain (difference between the present value of the old and new debt) of approximately \$98,000.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- a) The City shall generate net revenues from sewer operations of 125% of the average annual principal and interest payments.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in a sewer sinking fund.
- c) A reserve fund is to be established with a required fund balance of \$173,910.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(3) Bonds and Notes Payable (continued)

- d) An improvement and extension fund is to be established with a required fund balance of \$50,000.

As of June 30, 2005, the City was in compliance with provisions of the debt resolutions listed above.

(4) Internal Debt

The City approved two internal loans from the General Fund to the Special Revenue Fund - Tax Increment Financing. Each loan was issued to finance development projects in the City's urban renewal districts. The loans are payable in annual installments of \$25,240, including interest at 9.0% to 9.5% per annum, with final maturity on June 1, 2012. The balance outstanding as of June 30, 2005 was \$80,271.

(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 covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$55,412, \$48,144, and \$45,656, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 1,440 hours. Vacation is payable when used and is cumulative to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. This liability has been computed based on pay rates as of June 30, 2005. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005 is \$28,836.

CITY OF ANAMOSA
Notes to Financial Statements
June 30, 2005

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefit	\$ 220,260
	Local Option Sales Tax	<u>201,000</u>
	Total	<u>\$ 421,260</u>
Special Revenue:	Capital Projects:	
Local Option Sales Tax	Streetscapes	<u>\$ 225,486</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>\$ 60,000</u>
Capital Projects:	Special Revenue:	
Library	Library Campaign	<u>\$ 286,942</u>
Capital Projects:	Special Revenue:	
Park & Recreation Project	Local Option Sales Tax	<u>\$ 15,175</u>
Capital Projects	Capital Projects:	
	Chamber Drive	150,267
	J & P Cycles	<u>143,522</u>
	Total	<u>\$ 293,789</u>

(8) Risk Management

The City of Anamosa is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction Project Commitments

The City began a major construction project during the year ended June 30, 2004 known as the Downtown Streetscape Project. Contracts for the project total \$1,644,650. The project is financed by road use tax revenue notes and tax incremental financing bonds issued. Disbursements through June 30, 2005 totaled \$120,186.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2005

(9) Construction Project Commitments (continued)

The City began a new library capital project during the year ended June 30, 2004. Contracts for the project totaled \$1,514,540. The project is financed by tax increment financing debt and private donations. Disbursements through June 30, 2005 totaled \$398,903.

The City began a construction capital project known as the Stallion Creek Trunk Sewer Project during the year ended June 30, 2004. Contracts for the project totaled \$171,617. Disbursements through June 30, 2005 totaled \$55,552. The project was financed by tax increment financing.

The City began a construction capital project known as Chamber Drive Project during the year ended June 30, 2004. Contracts for the project totaled \$269,343. Disbursements through June 30, 2005 totaled \$302,812. The Project is financed by tax increment financing.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANAMOSA

**Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget to Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information**

Year Ended June 30, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 914,511	\$ -	\$ 914,511
Tax increment financing	565,948	-	565,948
Other city tax	427,377	-	427,377
Licenses and permits	7,460	-	7,460
Use of money and property	63,342	22,122	85,464
Intergovernmental	768,030	-	768,030
Charges for services	137,328	1,097,603	1,234,931
Special assessments	82,810	-	82,810
Miscellaneous	<u>325,446</u>	<u>167,956</u>	<u>493,402</u>
Total receipts	<u>3,292,252</u>	<u>1,287,681</u>	<u>4,579,933</u>
DISBURSEMENTS:			
Public safety	531,939	-	531,939
Public works	477,866	-	477,866
Culture and recreation	499,851	-	499,851
Community and economic development	190,267	-	190,267
General government	296,893	-	296,893
Debt service	840,653	-	840,653
Capital projects	1,052,322	-	1,052,322
Business type activities	<u>-</u>	<u>1,041,924</u>	<u>1,041,924</u>
Total disbursements	<u>3,889,791</u>	<u>1,041,924</u>	<u>4,931,715</u>
Excess (deficiency) receipts over (under) disbursements	(597,539)	245,757	(351,782)
OTHER FINANCING SOURCES			
	<u>324,422</u>	<u>-</u>	<u>324,422</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(273,117)	245,757	(27,360)
BALANCES BEGINNING OF YEAR	<u>4,491,765</u>	<u>1,189,410</u>	<u>5,681,175</u>
BALANCES END OF YEAR	<u>\$ 4,218,648</u>	<u>\$ 1,435,167</u>	<u>\$ 5,653,815</u>

<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 934,402	\$ 934,750	\$ (20,239)
518,000	518,000	47,948
383,306	383,306	44,071
4,900	12,535	(5,075)
115,700	115,700	(30,236)
558,574	979,754	(211,724)
1,016,000	1,016,000	218,931
-	-	82,810
<u>105,100</u>	<u>322,559</u>	<u>170,843</u>
<u>3,635,982</u>	<u>4,282,604</u>	<u>297,329</u>
485,950	546,950	15,011
450,679	555,179	77,313
477,649	516,779	16,928
11,000	196,400	6,133
251,275	357,975	61,082
838,660	838,660	(1,993)
1,105,000	1,443,080	390,758
<u>1,005,355</u>	<u>1,105,355</u>	<u>63,431</u>
<u>4,625,568</u>	<u>5,560,378</u>	<u>628,663</u>
(989,586)	(1,277,774)	(925,992)
<u>-</u>	<u>-</u>	<u>324,422</u>
(989,586)	(1,277,774)	1,250,414
<u>7,607,330</u>	<u>7,515,130</u>	<u>(1,833,955)</u>
<u>\$ 6,617,744</u>	<u>\$ 6,237,356</u>	<u>\$ (583,541)</u>

See accompanying independent auditor's report.

CITY OF ANAMOSA

**Notes to Required Supplementary Information-
Budgetary Reporting**

Year Ended June 30, 2005

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functional areas are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. 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, one budget amendment increased budget receipts by \$646,622 and disbursements by \$934,810. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts in the amended budget in the Debt Service function.

Also, during the year ended June 30, 2005, disbursements exceeded amounts in the original budget before it could be amended in the Community and Economic Development and the General Government functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANAMOSA

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

Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue						
	Employee Benefit	Library Campaign	Library Special Gift	Police Dept. Forfeiture	Police Canine	Anamosa/ Monticello Local Access	Cemetery Operations
Receipts:							
Property tax	\$223,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city tax	419	-	-	-	-	-	-
Use of money and property	-	112	236	5	13	8	-
Intergovernmental	-	-	-	-	-	19,000	-
Charges for services	-	-	-	3,319	-	-	-
Special assessment	-	-	-	-	-	-	-
Miscellaneous	-	<u>59,800</u>	-	-	<u>2,758</u>	-	-
Total receipts	<u>224,112</u>	<u>59,912</u>	<u>236</u>	<u>3,324</u>	<u>2,771</u>	<u>19,008</u>	<u>-</u>
Disbursements:							
Operating:							
Public safety	-	-	-	3,120	-	-	-
Culture and recreation	-	-	-	-	-	18,756	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,120</u>	<u>-</u>	<u>18,756</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>224,112</u>	<u>59,912</u>	<u>236</u>	<u>204</u>	<u>2,771</u>	<u>252</u>	<u>-</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	<u>(220,260)</u>	<u>(286,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>(220,260)</u>	<u>(286,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balance	3,852	(227,030)	236	204	2,771	252	-
Cash balance, beginning	<u>-</u>	<u>227,030</u>	<u>32,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Cash balance, ending	<u>\$ 3,852</u>	<u>\$ -</u>	<u>\$ 32,954</u>	<u>\$ 204</u>	<u>\$ 2,771</u>	<u>\$ 252</u>	<u>\$ 10,000</u>

Schedule 1

	<u>Debt Service</u>	<u>Capital Projects</u>						<u>Permanent</u>	
<u>Wetlands Project</u>	<u>Special Assessment</u>	<u>130th Street Project</u>	<u>Chamber Drive</u>	<u>Street-scapes</u>	<u>Park & Rec</u>	<u>Capital Projects</u>	<u>J & P Cycles</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,693
-	-	-	-	-	-	-	-	-	419
6	166	76	1,160	1,326	-	80	719	-	3,907
-	-	-	-	-	15,000	-	-	-	34,000
-	-	-	-	-	-	-	-	-	3,319
-	82,810	-	-	-	-	-	-	-	82,810
-	-	-	-	-	-	-	-	1,400	63,958
<u>6</u>	<u>82,976</u>	<u>76</u>	<u>1,160</u>	<u>1,326</u>	<u>15,000</u>	<u>80</u>	<u>719</u>	<u>1,400</u>	<u>412,106</u>
-	-	-	-	-	-	-	-	-	3,120
246	-	-	-	-	-	-	-	-	19,002
-	-	13,181	302,812	123,253	30,175	127,103	55,552	-	652,076
<u>246</u>	<u>-</u>	<u>13,181</u>	<u>302,812</u>	<u>123,253</u>	<u>30,175</u>	<u>127,103</u>	<u>55,552</u>	<u>-</u>	<u>674,198</u>
<u>(240)</u>	<u>82,976</u>	<u>(13,105)</u>	<u>(301,652)</u>	<u>(121,927)</u>	<u>(15,175)</u>	<u>(127,023)</u>	<u>(54,833)</u>	<u>1,400</u>	<u>(262,092)</u>
-	-	-	-	-	15,175	293,789	-	-	308,964
-	-	-	(150,267)	(225,486)	-	-	(143,522)	-	(1,026,477)
-	-	-	(150,267)	(225,486)	15,175	293,789	(143,522)	-	(717,513)
(240)	82,976	(13,105)	(451,919)	(347,413)	-	166,766	(198,355)	1,400	(979,605)
1,031	-	21,366	451,919	347,413	-	-	198,355	72,808	1,362,640
<u>\$ 791</u>	<u>\$ 82,976</u>	<u>\$ 8,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$166,766</u>	<u>\$ -</u>	<u>\$ 74,208</u>	<u>\$ 383,035</u>

(continued)

CITY OF ANAMOSA

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

Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	<u>Special Revenue</u>						
	<u>Employee</u>	<u>Library</u>	<u>Library</u>	<u>Police</u>	<u>Police</u>	<u>Anamosa/</u>	<u>Cemetery</u>
	<u>Benefit</u>	<u>Campaign</u>	<u>Special</u>	<u>Dept.</u>	<u>Canine</u>	<u>Local</u>	<u>Operations</u>
			<u>Gift</u>	<u>Forfeiture</u>		<u>Access</u>	
Cash basis fund balance:							
Unreserved:							
Special revenue funds	\$ 3,852	\$ -	\$ 32,954	\$ 204	\$ 2,771	\$ 252	\$ 10,000
Capital project funds	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Permanent	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 3,852</u>	<u>\$ -</u>	<u>\$ 32,954</u>	<u>\$ 204</u>	<u>\$ 2,771</u>	<u>\$ 252</u>	<u>\$ 10,000</u>

Schedule 2

	<u>Debt Service</u>		<u>Capital Projects</u>					<u>Permanent</u>	
<u>Wetlands Project</u>	<u>Special Assessment</u>	<u>130th Street Project</u>	<u>Chamber Drive</u>	<u>Street-scapes</u>	<u>Park & Rec</u>	<u>Capital Projects</u>	<u>J & P Cycles</u>	<u>Cemetary Perpetual Care</u>	<u>Totals</u>
\$ 791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,824
-	-	8,261	-	-	-	166,766	-	-	175,027
-	82,976	-	-	-	-	-	-	-	82,976
-	-	-	-	-	-	-	-	74,208	74,208
<u>\$ 791</u>	<u>\$ 82,976</u>	<u>\$ 8,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$166,766</u>	<u>\$ -</u>	<u>\$ 74,208</u>	<u>\$ 383,035</u>

CITY OF ANAMOSA

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

Nonmajor Enterprise Fund

As of and for the year ended June 30, 2005

	Consumer Deposit
OPERATING RECEIPTS:	
Miscellaneous	\$ <u>22,600</u>
OPERATING DISBURSEMENTS:	
Business type activities:	
Water	<u>7,927</u>
Excess of operating receipts over disbursements	<u>14,673</u>
NONOPERATING RECEIPTS:	
Interest on investments	<u>2,355</u>
NET CHANGE IN CASH BALANCE	17,028
CASH BALANCE, BEGINNING	<u>138,484</u>
CASH BALANCE, ENDING	<u>\$ 155,512</u>
CASH BASIS FUND BALANCE:	
Reserved:	
Deposits	\$ 155,512
Unreserved	<u>-</u>
Total cash basis fund balance	<u>\$ 155,512</u>

CITY OF ANAMOSA
Statement of Indebtedness
Year Ended June 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
G.O. bond	September 1, 1996	5.10-5.40%	\$ 185,000
Fawn Creek/Old Dubuque	July 1, 2000	5.20-5.60%	510,000
General obligation notes:			
Street improvement project	June 1, 1998	4.35-5.05%	760,000
Anticipation project	August 1, 2001	4.50%	140,000
Refunding notes - Series 2002A	November 1, 2002	2.00-4.90%	455,000
Police car	September 17, 2003	3.50%	18,000
Equipment note	November 1, 2004	2.75%	50,000
Total			
Road Use Tax:			
Road Use Tax Revenue Notes	November 1, 2002	2.50-5.25%	1,595,000
Tax Increment Financing Bonds:			
2002 G.O. bond	November 1, 2002	2.00-4.90%	2,870,000
TIF revenue - Series B	January 16, 1997	7.50%	95,000
TIF revenue - refinancing	November 1, 2002	2.00-4.60%	475,000
TIF revenue - 2003 bond	August 1, 2004	5.50%	160,000
Total			
Revenue:			
Water revenue notes	April 1, 1999	4.40-5.15%	1,180,000
Sewer revenue refunding notes	October 1, 2002	2.75-5.40%	1,785,000
Total			
Total indebtedness			

Schedule 3

<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>
\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 2,675	\$ -
300,000	-	60,000	240,000	16,490	-
515,000	-	50,000	465,000	24,763	-
72,845	-	24,281	48,564	3,278	-
404,361	-	35,572	368,789	16,235	-
18,000	-	3,600	14,400	630	-
-	50,000	-	50,000	714	-
<u>1,360,206</u>	<u>50,000</u>	<u>198,481</u>	<u>1,211,753</u>	<u>64,917</u>	<u>-</u>
<u>1,515,000</u>	<u>-</u>	<u>85,000</u>	<u>1,430,000</u>	<u>67,617</u>	<u>-</u>
2,550,685	-	224,405	2,326,280	102,528	-
46,356	-	10,364	35,992	3,477	-
400,000	-	35,000	365,000	15,500	-
-	160,000	-	160,000	6,942	-
<u>2,997,041</u>	<u>160,000</u>	<u>269,769</u>	<u>2,887,272</u>	<u>128,447</u>	<u>-</u>
875,000	-	70,000	805,000	42,743	-
<u>1,615,000</u>	<u>-</u>	<u>95,000</u>	<u>1,520,000</u>	<u>75,700</u>	<u>-</u>
<u>2,490,000</u>	<u>-</u>	<u>165,000</u>	<u>2,325,000</u>	<u>118,443</u>	<u>-</u>
<u>\$ 8,362,247</u>	<u>\$ 210,000</u>	<u>\$ 718,250</u>	<u>\$ 7,854,025</u>	<u>\$ 379,424</u>	<u>\$ -</u>

CITY OF ANAMOSA
Bond and Note Maturities
June 30, 2005

Year Ending <u>June 30,</u>	<u>1996 GO Bond</u>		<u>2000 GO Bond</u>		<u>General Obligation Debt</u>	
	<u>Issued Sept. 1, 1996</u>		<u>Issued July 1, 2000</u>		<u>Street Improvement</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006	5.40 %	\$ 25,000	5.45 %	\$ 60,000	4.60 %	\$ 50,000
2007	-	-	5.50 %	65,000	4.65 %	50,000
2008	-	-	5.55 %	70,000	4.70 %	55,000
2009	-	-	5.60 %	45,000	4.75 %	55,000
2010	-	-	-	-	4.85 %	60,000
2011	-	-	-	-	4.95 %	60,000
2012	-	-	-	-	5.00 %	65,000
2013	-	-	-	-	5.05 %	70,000
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
Total		<u>\$ 25,000</u>		<u>\$ 240,000</u>		<u>\$ 465,000</u>

Year Ending <u>June 30,</u>	<u>Road Use Tax Revenue</u>		<u>TIF G.O.</u>		<u>Special Revenue Debt</u>	
	<u>Issued Nov. 1, 2002</u>		<u>Issued Nov. 1, 2002</u>		<u>TIF Revenue-Series B</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006	3.25 %	\$ 85,000	2.90 %	\$ 194,189	7.50 %	\$ 11,141
2007	3.55 %	90,000	3.20 %	198,506	7.50 %	11,976
2008	3.85 %	90,000	3.50 %	142,391	7.50 %	12,875
2009	4.05 %	95,000	3.75 %	146,678	-	-
2010	4.25 %	100,000	4.00 %	155,341	-	-
2011	4.45 %	105,000	4.15 %	159,657	-	-
2012	4.65 %	105,000	4.30 %	168,291	-	-
2013	4.75 %	110,000	4.40 %	172,607	-	-
2014	4.85 %	115,000	4.50 %	181,240	-	-
2015	4.95 %	125,000	4.60 %	189,873	-	-
2016	5.05 %	130,000	4.70 %	198,506	-	-
2017	5.15 %	135,000	4.80 %	207,516	-	-
2018	5.25 %	<u>145,000</u>	4.90 %	<u>211,485</u>	-	-
Total		<u>\$1,430,000</u>		<u>\$2,326,280</u>		<u>\$ 35,992</u>

Schedule 4

<u>Anticipation Note</u>		<u>Refunding Notes</u>		<u>Police Car</u>		<u>Equipment Note</u>	
<u>Issued August 1, 2001</u>		<u>Issued November 1, 2002</u>		<u>Issued Sept. 17, 2003</u>		<u>Issued Nov. 1, 2005</u>	
Interest		Interest		Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
4.50 %	\$ 24,282	2.90 %	\$ 30,788	3.50 %	\$ 3,600	2.75 %	\$ 10,000
4.50 %	24,282	3.20 %	31,471	3.50 %	3,600	2.75 %	10,000
	-	3.50 %	22,585	3.50 %	3,600	2.75 %	10,000
	-	3.75 %	23,269	3.50 %	3,600	2.75 %	10,000
	-	4.00 %	24,636		-	2.75 %	10,000
	-	4.15 %	25,319		-		-
	-	4.30 %	26,687		-		-
	-	4.40 %	27,370		-		-
	-	4.50 %	28,737		-		-
	-	4.60 %	30,104		-		-
	-	4.70 %	31,471		-		-
	-	4.80 %	32,838		-		-
	-	4.90 %	33,514		-		-
	-				-		-
Total	\$ 48,564		\$ 368,789		\$ 14,400		\$ 50,000

<u>TIF Revenue-Refinancing</u>		<u>TIF Revenue-Series 2003</u>		<u>Water Revenue</u>		<u>Sewer Revenue</u>	
<u>Issued November 1, 2002</u>		<u>Issued August 1, 2004</u>		<u>Issued April 1, 1999</u>		<u>Issued October 1, 2002</u>	
Interest		Interest		Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.00 %	\$ 35,000	5.50 %	\$ 16,000	4.65 %	\$ 75,000	3.75 %	\$ 100,000
3.30 %	35,000	5.50	16,000	4.70 %	75,000	3.90 %	105,000
3.60 %	40,000	5.50	16,000	4.75 %	80,000	4.10 %	105,000
3.80 %	40,000	5.50	16,000	4.80 %	85,000	4.30 %	110,000
4.00 %	40,000	5.50	16,000	4.85 %	90,000	4.50 %	115,000
4.20 %	45,000	5.50	16,000	4.95 %	95,000	4.70 %	120,000
4.40 %	45,000	5.50	16,000	5.05 %	95,000	4.90 %	125,000
4.50 %	45,000	5.50	16,000	5.10 %	100,000	5.00 %	135,000
4.60 %	40,000	5.50	16,000	5.15 %	110,000	5.10 %	140,000
	-	5.50	16,000		-	5.20 %	145,000
	-		-		-	5.30 %	155,000
	-		-		-	5.40 %	165,000
	-		-		-		-
Total	\$ 365,000		\$ 160,000		\$ 805,000		\$1,520,000

CITY OF ANAMOSA

Comparison of Tax and Intergovernmental Receipts

	<u>Years Ended June 30,</u>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Property tax	\$ 914,511	\$ 940,696	\$ 943,803	\$ 886,604
Tax increment financing collections	565,948	454,698	391,204	275,779
Other city tax:				
Mobile home tax	12,163	12,768	10,762	9,792
Utility tax replacement excise tax	73,229	47,551	44,547	41,564
Hotel/motel tax	17,926	18,405	17,021	17,820
Local option tax	324,060	317,029	277,578	271,225
	<u>427,378</u>	<u>395,753</u>	<u>349,908</u>	<u>340,401</u>
Intergovernmental:				
State allocation	-	-	62,236	62,236
Bank franchise tax	9,759	13,839	15,141	15,141
Road use tax	456,804	457,582	447,284	447,284
Housing rehabilitation grant	76,264	96,549	182,107	43,866
Community development grant	-	25,000	-	-
CAT grant	76,567	106,503	-	-
FEMA grant	61,416	-	114,303	-
Cable TV franchise	26,056	27,851	27,091	23,276
County Library support	14,074	14,074	14,074	14,074
Other	47,090	23,363	11,077	57,763
	<u>768,030</u>	<u>764,761</u>	<u>873,313</u>	<u>663,640</u>
Total	<u>\$ 2,675,867</u>	<u>\$ 2,555,908</u>	<u>\$ 2,558,228</u>	<u>\$ 2,166,424</u>

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

To the Honorable Mayor and
Members of the City Council

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa as of and for the year ended June 30, 2005, which collectively comprise the City of Anamosa's basic financial statements and have issued our report thereon dated August 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Anamosa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Anamosa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a 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 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 matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item I-A-2005 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anamosa'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, 2005, 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 findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the Mayor and City Council, employees and citizens of the City of Anamosa and those parties to whom the City of Anamosa 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 Anamosa 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 17, 2005

CITY OF ANAMOSA

Schedule of Findings

Year ended June 30, 2005

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes no
- Noncompliance material to financial statements noted? yes no

FINANCIAL STATEMENT FINDINGS

I-A-05 SEGREGATION OF DUTIES IN THE ACCOUNTING FUNCTION

Criteria: The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition: The City Clerk has complete control over the accounting function.

Questioned Costs: None.

Context: During our audit we found that the City Clerk could perform all functions in the accounting function

Effect: Incompatible duties were not properly segregated.

Cause: Ideal separation of incompatible duties is difficult with the size of the City.

Recommendation: When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

We recommend the following:

1. The City review its operating procedures to obtain the maximum internal control possible given the size of the City Clerk's office.

Management Response and corrective action plan: We agree, and the City will continue to look for ways to realign and reassign duties where practical.

CITY OF ANAMOSA

Schedule of Findings

Year ended June 30, 2005

FINDINGS RELATED TO STATUTORY REPORTING

II-A-2005 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit stated in the resolution was not exceeded during the year ended June 30, 2005.

II-B-2005 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the debt service, community and economic development, and general government functions before budget amendments could be made. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-2005 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-2005 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-2005 Business Transactions - We noted the following business transaction between the City and City officials or employees:

Family Foods, Council Member, Herb Spencer	\$ 1,143.71
Framing Gallery, Council Member, Robert George	\$ 240.44

As the amounts are less than \$1,500, they do not appear to be conflicts of interest as defined by Chapter 362.5 of the Code of Iowa.

II-F-2005 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

II-G-2005 Revenue Notes - As of June 30, 2005, the City was in compliance with the funding and payment provisions of the revenue note resolutions.

II-H-2005 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

CITY OF ANAMOSA

Audit Staff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Andrew J. Johnson, Senior Associate

Justin Zimmerman, CPA, Associate

Tonya Determan, Associate

Laura Cuckler, Assurance Intern



March 17, 2006

To the Honorable Mayor and
Members of the City Council
City of Anamosa
107 South Ford Street
Anamosa, Iowa 52205

The purpose of this letter is to provide you with information about significant matters related to our audit of the financial statements of the City of Anamosa for the year ended June 30, 2005, in order to assist you with your oversight responsibilities of the financial reporting process, and so that we may comply with our professional responsibilities to the City Council. This letter is intended solely for the use of the City Council and management.

Auditor's Responsibility Under Generally Accepted Auditing Standards. Our audit of the financial statements of the City of Anamosa for the year ended June 30, 2005, was conducted 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*. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Reasonable assurance in an audit is obtained by examining evidence supporting the amounts and disclosures in the financial statements on a test basis. An audit does not include verification of all transactions and account balances, nor does it represent a certification of the absolute accuracy of the financial statements.

In testing whether the financial statements are free of material misstatement, we focus more of our attention on items with a higher potential of material misstatement, and less on items that have a remote chance of material misstatement. For this purpose, accounting literature has defined materiality as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Although we may make suggestions as to the form and content of the financial statements, or even prepare them in whole or in part, the financial statements remain the representations of management. In an audit, our responsibility with respect to the financial statements is limited to forming an opinion as to whether the financial statements are a fair presentation of the City's results of cash transactions of its individual funds and of its indebtedness.

To the Honorable Mayor and
Members of the City Council
March 17, 2006
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Significant Accounting Policies. There were no significant accounting policies or their application which were either initially selected or changed during the year.

There were no significant, unusual transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

Significant Audit Adjustments. There were no adjustments arising from the audit that could, in our judgment, have a significant effect on the entity's financial reporting process.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the City's financial statements or our report on those financial statements.

Consultations With Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles or generally accepted auditing standards.

Major Issues Discussed With Management Prior to Retention. There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management related to the performance of our audit.

We will be pleased to respond to any questions you have regarding the foregoing comments.

Clifton Henderson LLP