

CITY OF ANAMOSA, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2006



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CITY OF ANAMOSA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Hatcher	Mayor	January 2008
Bob George	Council Member	January 2008
Dennis Hansen	Council Member	January 2010
Bill Feldman	Council Member	January 2008
Brian Harmon	Council Member	January 2008
Tom Swisher	Council Member	January 2010
Danny Young	Council Member	January 2010
Patrick Callahan	City Administrator	Indefinite
Tammy Coons	City Clerk	Indefinite
Penny Lobe	Deputy City Clerk	Indefinite
Adrian Knuth	City Attorney	Indefinite

CITY OF ANAMOSA

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, 2006, 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 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, 2006, 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 our report dated August 14, 2006 on our consideration of City of Anamosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 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 certain 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anamosa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
August 14, 2006

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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues totaled \$4.7 million.
- Disbursements totaled \$5.6 million.
- The City's total cash basis net assets at fiscal year ended June 30, 2006 totaled \$4.7 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.

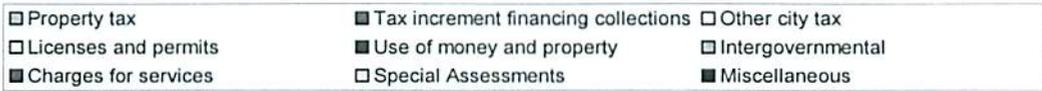
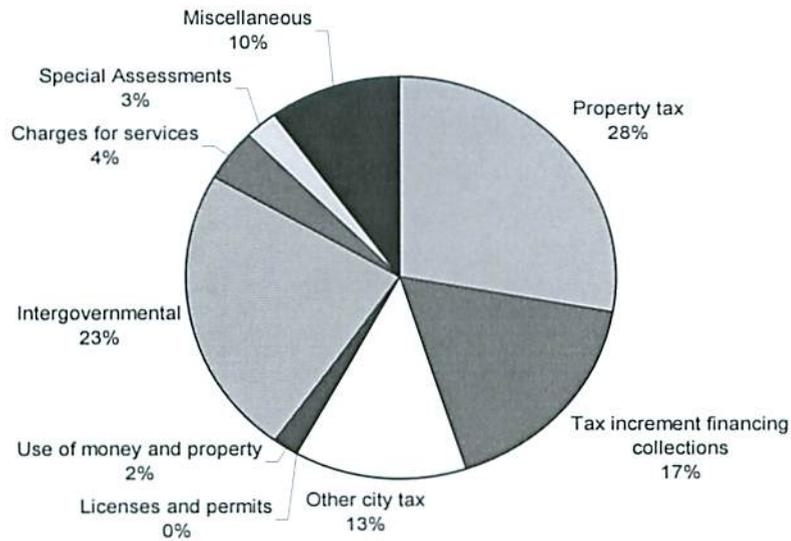
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, 2006 is \$3.2 million.

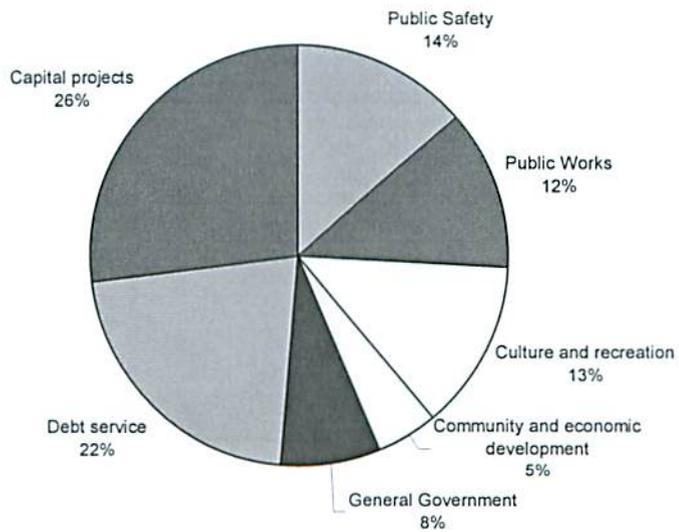
Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>
Receipts:		
Property tax	\$ 973,794	\$ 914,511
Tax increment financing collections	576,509	656,948
Other city tax	413,792	427,377
Licenses and permits	10,370	7,460
Use of money and property	80,686	63,342
Intergovernmental	888,072	768,030
Charges for services	117,672	137,328
Special assessments	82,155	82,810
Miscellaneous	<u>272,888</u>	<u>325,446</u>
Total receipts	3,415,938	3,292,252
Disbursements:		
Operating:		
Public safety	566,170	531,939
Public works	456,399	477,866
Culture and recreation	647,769	499,851
Community and economic development	141,556	190,267
General government	355,676	296,893
Debt service	1,046,488	840,653
Capital projects	<u>1,284,894</u>	<u>1,052,322</u>
Total disbursements	4,498,952	3,889,791
Excess (deficiency) of receipts over (under) disbursements	(1,083,014)	(597,539)
Other Financing Sources (Uses):		
Bond proceeds	-	210,000
Debt payments received	87,574	25,000
Operation transfers in	525,938	1,302,652
Sale of capital assets	12,734	89,422
Operating transfers out	<u>(525,938)</u>	<u>(1,302,648)</u>
Net other financing sources (uses)	<u>100,308</u>	<u>324,426</u>
Net change in cash basis net assets	(982,706)	(273,113)
Cash basis net assets, beginning	<u>4,218,652</u>	<u>4,491,765</u>
Cash basis net assets, ending	<u>\$ 3,235,946</u>	<u>\$ 4,218,652</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities were \$3,516,246 which included bond proceeds, debt payments and sale of capital assets.

The City increased property tax rates for 2006 by \$1.115 per thousand of taxable valuation, from \$14.729 to \$15.844 per thousand of taxable valuation. The increase in property tax rate was due to several factors; an increase in liability and property insurance costs, employee benefit costs and in the Debt Service Levy.

The cost of all governmental activities this year was nearly \$4.5 million.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>
Operating Receipts:		
Charges for services:		
Water	\$ 527,275	\$ 498,466
Sewer	629,790	599,137
Nonoperating Receipts:		
Interest on investments	29,975	22,122
Miscellaneous	<u>159,892</u>	<u>167,956</u>
Total receipts	1,346,932	1,287,681
Disbursements:		
Water	414,915	382,622
Sewer	572,996	375,309
Debt service	<u>287,473</u>	<u>289,993</u>
Total disbursements	1,275,384	1,041,924
Increase in cash basis net assets	71,548	245,757
Cash basis net assets beginning of year	<u>1,435,168</u>	<u>1,189,411</u>
Cash basis net assets end of year	<u>\$ 1,506,716</u>	<u>\$ 1,435,168</u>

Total business type activities receipts for the fiscal year were \$1,316,957. The cash balance increased by approximately \$71,548 from the prior year. Total disbursements for the fiscal year were \$1,245,409.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$3.2 million, a decrease of \$900,000 below last year's total of \$4.2 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 a decrease of \$357,990 from the prior year to \$1.74 million. This decrease in the General Fund cash balance is due to an increase in expenditures such as, an increase in employee benefits & salaries in all departments, an increase in the New Library operating budget, Downtown Façade Grants awarded, and an increase in housing rehabilitations.
- The Road Use Tax Fund cash balance increased slightly to \$471,215 during the fiscal year. This increase was due to a slight shifting of expenses for the Public Works department/Streets Department being funded with General fund rather than RUT funds.\
- The Local Option Sales Tax Fund cash balance only increased by \$190,805 as compared to an increase in FY 2005 of \$308,718. This decrease is due to LOT funds being used, as designated, for Capital improvements in FY 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$49,908 to \$677,545, with \$298,511 in reserves as compared to last FY cash balance increase of \$43,429. The increase in addition to the Water Fund cash balance is the scheduled increase in the water rates, along with new home water services being added.
- The Sewer Fund cash balance increased by only \$1,739 to \$653,758, with \$308,309 in reserves as compared to last FY cash balance increase of \$185,300. The difference in addition to the Sewer Fund cash balance was due entirely to the DNR requirement improvements done to the Wastewater Treatment Plant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 8, 2006 and resulted in an increase in disbursements to all programs except Health & Social Services. The increase in the budgeted disbursements was primarily due to capital project expenses, along with additional street repairs, large equipment purchases in both the Public Works and Police Department, an increase housing rehabilitation projects, an increase in capital improvements and the early payment of eligible debt.

DEBT ADMINISTRATION

Outstanding Debt at Year-End

	<u>Year Ended June 30, 2006</u>
General obligation bonds & notes	\$ 3,140,175
Urban renewal tax increment financing revenue bonds	330,000
RUT revenue bonds	1,345,000
Water revenue bonds	730,000
Sewer revenue bonds	<u>1,420,000</u>
Total	<u>\$ 6,965,175</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 \$3,140,175 along with the TIF debt of \$330,000 is significantly below its constitutional debt limit of approximately \$7.0 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 2006 budget, tax rates, and fees that will be charged for various City activities. Unemployment in Jones County averaged 5.4 percent in 2006. This compares with the State's average unemployment rate of 4.7 percent in 2006.

The housing market is strong in Anamosa. During calendar year 2006, 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, IOWA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

		Program Receipts		
	<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	\$ 566,170	\$ 14,781	\$ 5,020	\$ -
Public works	456,399	24,903	459,988	4
Culture and recreation	647,769	142,837	99,595	684
Community and economic development	141,556	7,503	-	106,460
General government	355,676	34,868	-	-
Debt service	1,046,488	-	-	-
Capital projects	1,284,894	-	-	169,289
Total governmental activities	4,498,952	224,892	564,603	276,437
Business-type activities:				
Water	529,713	583,318	16,204	-
Sewer	745,671	733,639	13,771	-
Total business-type activities	1,275,384	1,316,957	29,975	-
Total	5,774,336	1,541,849	594,578	276,437
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**

Governmental Activities	Business-type Activities	Total
\$ (546,369)	\$ -	\$ (546,369)
28,496	-	28,496
(404,653)	-	(404,653)
(27,593)	-	(27,593)
(320,808)	-	(320,808)
(1,046,488)	-	(1,046,488)
<u>(1,115,605)</u>	<u>-</u>	<u>(1,115,605)</u>
<u>(3,433,020)</u>	<u>-</u>	<u>(3,433,020)</u>
-	69,809	69,809
-	1,739	1,739
<u>-</u>	<u>71,548</u>	<u>71,548</u>
<u>(3,433,020)</u>	<u>71,548</u>	<u>(3,361,472)</u>
480,671	-	480,671
243,452	-	243,452
576,509	-	576,509
249,671	-	249,671
120,852	-	120,852
292,940	-	292,940
-	-	-
261,396	-	261,396
42,360	-	42,360
82,155	-	82,155

(continued)

CITY OF ANAMOSA, IOWA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

		Program Receipts	
<u>Disbursements</u>	<u>Charges for Services</u>	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Debt proceeds received			
Sale of capital assets			
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
87,574	-	87,574
12,734	-	12,734
<hr/>	<hr/>	<hr/>
2,450,314	-	2,450,314
<hr/>	<hr/>	<hr/>
(982,706)	71,548	(911,158)
<hr/>	<hr/>	<hr/>
4,218,651	1,435,168	5,653,819
<hr/>	<hr/>	<hr/>
<u>\$ 3,235,945</u>	<u>\$ 1,506,716</u>	<u>\$ 4,742,661</u>
\$ (607,965)	\$ -	\$ (607,965)
1,151,483	-	1,151,483
294,643	-	294,643
657,598	1,506,716	2,164,314
1,740,186	-	1,740,186
<hr/>	<hr/>	<hr/>
<u>\$ 3,235,945</u>	<u>\$ 1,506,716</u>	<u>\$ 4,742,661</u>

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

CITY OF ANAMOSA, IOWA

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

As of and for the year ended June 30, 2006

		Special Revenue		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>
RECEIPTS:				
Property tax	\$ 480,671	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	576,509
Other city tax	101,963	-	292,940	-
Licenses and permits	10,322	-	-	-
Use of money and property	52,676	-	15,325	6,614
Intergovernmental	218,175	459,988	-	-
Charges for services	117,672	-	-	-
Special assessments	-	-	-	-
Miscellaneous	267,288	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	1,248,767	459,988	308,265	583,123
	<hr/>	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:				
Operating:				
Public safety	529,779	-	36,391	-
Public works	183,641	254,818	17,940	-
Culture and recreation	603,634	-	29,054	-
Community and economic development	140,356	-	-	1,200
General government	273,717	48,155	29,940	3,864
Debt service	-	150,495	-	635,017
Capital projects	-	-	4,135	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	1,731,127	453,468	117,460	640,081
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(482,360)	6,520	190,805	(56,958)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Debt payments received	87,574	-	-	-
Operating transfers in	228,529	-	-	-
Sale of fixed assets	12,734	-	-	-
Operating transfers out	(204,467)	-	-	(92,942)
	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	124,370	-	-	(92,942)
	<hr/>	<hr/>	<hr/>	<hr/>

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u> <u>Street Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 249,671	\$ -	\$ 243,452	\$ 973,794
-	-	-	576,509
13,112	-	5,777	413,792
-	48	-	10,370
1,726	-	4,345	80,686
-	151,851	58,058	888,072
-	-	-	117,672
-	-	82,155	82,155
-	-	5,600	272,888
<u>264,509</u>	<u>151,899</u>	<u>399,387</u>	<u>3,415,938</u>
-	-	-	566,170
-	-	-	456,399
-	-	15,081	647,769
-	-	-	141,556
-	-	-	355,676
260,976	-	-	1,046,488
-	852,798	427,961	1,284,894
<u>260,976</u>	<u>852,798</u>	<u>443,042</u>	<u>4,498,952</u>
<u>3,533</u>	<u>(700,899)</u>	<u>(43,655)</u>	<u>(1,083,014)</u>
-	-	-	87,574
-	92,942	204,467	525,938
-	-	-	12,734
-	(8,269)	(220,260)	(525,938)
<u>-</u>	<u>84,673</u>	<u>(15,793)</u>	<u>100,308</u>

(continued)

CITY OF ANAMOSA, IOWA

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

As of and for the year ended June 30, 2006

	Special Revenue			
General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	
NET CHANGE IN CASH BALANCE	(357,990)	6,520	190,805	(149,900)
CASH BALANCE, BEGINNING	2,098,175	464,695	780,357	326,880
CASH BALANCE, ENDING	\$ 1,740,185	\$ 471,215	\$ 971,162	\$ 176,980
 CASH BASIS FUND BALANCE:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General	1,740,185	-	-	-
Special revenue funds	-	471,215	971,162	176,980
Capital project funds	-	-	-	-
Permanent	-	-	-	-
Total cash basis fund balance	\$ 1,740,185	\$ 471,215	\$ 971,162	\$ 176,980

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u> <u>Street Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
3,533	(616,226)	(59,448)	(982,706)
<u>122,829</u>	<u>8,261</u>	<u>417,454</u>	<u>4,218,651</u>
<u>\$ 126,362</u>	<u>\$ (607,965)</u>	<u>\$ 358,006</u>	<u>\$ 3,235,945</u>
\$ 126,362	\$ -	\$ 168,281	\$ 294,643
-	-	-	1,740,185
-	-	111,576	1,730,933
-	(607,965)	3,341	(604,624)
-	-	74,808	74,808
<u>\$ 126,362</u>	<u>\$ (607,965)</u>	<u>\$ 358,006</u>	<u>\$ 3,235,945</u>

These financial statements should be read only in connection with the accompanying notes to 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, 2006

	<u>Water</u>	<u>Sewer</u>
OPERATING RECEIPTS:		
Charges for services	\$ 527,275	\$ 629,790
Miscellaneous	31,951	103,849
	<hr/>	<hr/>
Total operating receipts	559,226	733,639
	<hr/>	<hr/>
OPERATING DISBURSEMENTS:		
Business-type activities:		
Water	407,425	-
Sewer	-	572,996
	<hr/>	<hr/>
Total operating disbursements	407,425	572,996
	<hr/>	<hr/>
Excess of operating receipts over operating disbursements	151,801	160,643
	<hr/>	<hr/>
NONOPERATING RECEIPTS (DISBURSEMENTS):		
Interest on investments	12,905	13,771
Debt service	(114,798)	(172,675)
	<hr/>	<hr/>
Net nonoperating receipts (disbursements)	(101,893)	(158,904)
	<hr/>	<hr/>
NET CHANGE IN CASH BALANCE	49,908	1,739
	<hr/>	<hr/>
CASH BALANCE, BEGINNING	627,637	652,019
	<hr/>	<hr/>
CASH BALANCE, ENDING	\$ 677,545	\$ 653,758
	<hr/> <hr/>	<hr/> <hr/>
CASH BASIS FUND BALANCE:		
Reserved for other purposes	\$ 298,511	\$ 307,130
Unreserved	379,034	346,628
	<hr/>	<hr/>
Total cash basis fund balance	\$ 677,545	\$ 653,758
	<hr/> <hr/>	<hr/> <hr/>

Nonmajor Enterprise <u>Fund</u>	<u>Total</u>
\$ -	\$ 1,157,065
<u>24,092</u>	<u>159,892</u>
24,092	1,316,957
7,490	414,915
<u>-</u>	<u>572,996</u>
7,490	987,911
16,602	329,046
3,299	29,975
<u>-</u>	<u>(287,473)</u>
3,299	(257,498)
19,901	71,548
<u>155,512</u>	<u>1,435,168</u>
<u>\$ 175,413</u>	<u>\$ 1,506,716</u>
\$ 175,413	\$ 781,054
<u>-</u>	<u>725,662</u>
<u>\$ 175,413</u>	<u>\$ 1,506,716</u>

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

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2006

(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, 2006

(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, 2006

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

B. Basis of Presentation (continued)

Capital Projects:

The Streets Projects Fund is used to account for Street capital projects.

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, 2006, disbursements exceeded the amounts budgeted prior to the budget amendment in the community and economic development and capital project functions.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2006

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

The annual debt service requirements to maturity of general obligation bonds and notes, special revenue bonds and notes 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>
2007	\$ 184,354	\$ 46,473	\$ 323,506	\$ 166,941	\$ 180,000	\$ 104,660	\$ 687,860	\$ 318,074
2008	161,185	38,620	272,391	156,238	185,000	97,040	618,576	291,898
2009	136,869	30,964	281,678	146,346	195,000	88,935	613,547	266,245
2010	94,636	24,555	295,341	135,476	205,000	80,125	594,977	240,156
2011	85,319	20,523	309,657	124,410	215,000	70,585	609,976	215,518
2012	91,687	16,223	318,291	110,220	220,000	60,243	629,978	186,686
2013	97,370	12,107	327,607	96,118	235,000	49,320	659,977	157,545
2014	28,737	7,369	336,240	81,271	250,000	37,470	614,977	126,110
2015	30,104	6,077	314,873	65,695	145,000	24,665	489,977	96,437
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	<u>33,514</u>	<u>1,641</u>	<u>356,485</u>	<u>17,976</u>	<u>-</u>	<u>-</u>	<u>389,999</u>	<u>19,617</u>
	<u>\$1,008,084</u>	<u>\$ 212,462</u>	<u>\$3,807,091</u>	<u>\$1,186,336</u>	<u>\$2,150,000</u>	<u>\$ 639,078</u>	<u>\$6,965,175</u>	<u>\$2,037,876</u>

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2006

(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, 2006 of \$10,800.

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, 2006

(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.

Water revenue notes were issued on April 1, 1999, with an average interest rate of 4.78%. The revenue notes mature in 2014.

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, 2006

(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, 2006, 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 were paid in full during the year ended June 30, 2006.

(5) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects:	
	Street Projects	\$ 8,269
	Nonmajor Governmental Funds	<u>220,260</u>
	Total	\$ <u>228,529</u>
Capital Projects:	Special Revenue:	
Street Projects	TIF	<u>\$ 92,942</u>
Nonmajor Governmental Funds	General	<u>\$ 204,467</u>
	Total	\$ <u>525,938</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources

(6) **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.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2006

(6) Pension and Retirement Benefits (continued)

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 salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$60,693, \$55,412, and \$48,144, respectively, equal to the required contributions for each year.

(7) 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, 2006. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2006 is \$23,059.

(8) Deficit Balances

At June 30, 2006, funds with deficit balances were as follows:

Capital Projects:	
Street Projects	\$607,965

This deficit balance is the result of project costs in excess of available funds. This deficit will be eliminated upon collection of intergovernmental revenues.

(9) 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.

(10) Construction Commitments

During the year ended June 30, 2006, the City of Anamosa committed to various construction projects all of which were still ongoing during at year end. The total commitments remain on the contracts is \$478,127 at June 30, 2006.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANAMOSA, IOWA

**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, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 973,794	\$ -	\$ 973,794
Tax increment financing	576,509	-	576,509
Other city tax	413,792	-	413,792
Licenses and permits	10,370	-	10,370
Use of money and property	80,686	29,975	110,661
Intergovernmental	888,072	-	888,072
Charges for services	117,672	1,157,065	1,274,737
Special assessments	82,155	-	82,155
Miscellaneous	272,888	159,892	432,780
	<hr/>	<hr/>	<hr/>
Total receipts	3,415,938	1,346,932	4,762,870
	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:			
Public safety	566,170	-	566,170
Public works	456,399	-	456,399
Culture and recreation	647,769	-	647,769
Community and economic development	141,556	-	141,556
General government	355,676	-	355,676
Debt service	1,046,488	-	1,046,488
Capital projects	1,284,894	-	1,284,894
Business-type activities	-	1,275,384	1,275,384
	<hr/>	<hr/>	<hr/>
Total disbursements	4,498,952	1,275,384	5,774,336
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(1,083,014)	71,548	(1,011,466)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES	100,308	-	100,308
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(982,706)	71,548	(911,158)
	<hr/>	<hr/>	<hr/>
BALANCES BEGINNING OF YEAR	4,218,651	1,435,168	5,653,819
	<hr/>	<hr/>	<hr/>
BALANCES END OF YEAR	<u>\$ 3,235,945</u>	<u>\$ 1,506,716</u>	<u>\$ 4,742,661</u>

Budgeted Amounts		Final to Total Variance
<u>Original</u>	<u>Final</u>	
\$ 1,024,443	\$ 1,024,443	\$ (50,649)
600,000	600,000	(23,491)
418,053	418,053	(4,261)
4,900	4,900	5,470
69,502	89,502	21,159
594,074	1,284,474	(396,402)
1,134,000	1,184,000	90,737
-	-	82,155
166,150	1,043,150	(610,370)
<u>4,011,122</u>	<u>5,648,522</u>	<u>(885,652)</u>
563,852	623,852	57,682
589,548	1,061,548	605,149
602,158	767,158	119,389
11,000	171,000	29,444
330,480	635,480	279,804
813,536	1,136,573	90,085
-	1,800,367	515,473
1,177,894	1,466,894	191,510
<u>4,088,468</u>	<u>7,662,872</u>	<u>1,888,536</u>
(77,346)	(2,014,350)	(1,002,884)
-	(320,260)	(420,568)
(77,346)	(2,334,610)	1,423,452
<u>5,153,048</u>	<u>5,153,048</u>	<u>-</u>
<u>\$ 5,075,702</u>	<u>\$ 2,818,438</u>	<u>\$ 1,423,452</u>

See accompanying independent auditor's report.

CITY OF ANAMOSA

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2006

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 \$1,637,400 and disbursements by \$3,577,404. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements did not exceed the amounts in the amended budget.

Also, during the year ended June 30, 2006, disbursements exceeded amounts in the original budget before it could be amended in the Community and Economic Development and the Capital Projects 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, 2006

	<u>Special Revenue</u>			
	<u>Employee Benefit</u>	<u>Library Special Gift</u>	<u>Police Department Forfeiture</u>	<u>Police Canine</u>
Receipts:				
Property tax	\$ 243,452	\$ -	\$ -	\$ -
Other city tax	5,777	-	-	-
Use of money and property	-	684	-	20
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Miscellaneous	-	-	-	5,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	249,229	684	-	5,020
	<hr/>	<hr/>	<hr/>	<hr/>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	249,229	684	-	5,020
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(220,260)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	(220,260)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in cash balance	28,969	684	-	5,020
Cash balance, beginning	3,853	32,954	204	2,771
	<hr/>	<hr/>	<hr/>	<hr/>
Cash balance, ending	\$ 32,822	\$ 33,638	\$ 204	\$ 7,791
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Anamosa/ Monticello</u>				<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	<u>Totals</u>
	<u>Local Access</u>	<u>Cemetery Operations</u>	<u>Wetlands Project</u>	<u>Special Assessment</u>	<u>City Building Project</u>	<u>Capital Projects</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,452
-	-	-	-	-	-	-	-	5,777
27	-	4	3,150	224	236	-	-	4,345
41,128	-	-	-	16,930	-	-	-	58,058
-	-	-	-	-	-	-	-	-
-	-	-	82,155	-	-	-	-	82,155
-	-	-	-	-	-	-	600	5,600
<u>41,155</u>	<u>-</u>	<u>4</u>	<u>85,305</u>	<u>17,154</u>	<u>236</u>	<u>600</u>	<u>399,387</u>	
-	-	-	-	-	-	-	-	-
15,081	-	-	-	-	-	-	-	15,081
-	-	-	-	56,491	371,470	-	-	427,961
<u>15,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,491</u>	<u>371,470</u>	<u>-</u>	<u>443,042</u>	
26,074	-	4	85,305	(39,337)	(371,234)	600	(43,655)	
-	-	-	-	-	204,467	-	-	204,467
-	-	-	-	-	-	-	-	(220,260)
-	-	-	-	-	204,467	-	-	(15,793)
26,074	-	4	85,305	(39,337)	(166,767)	600	(59,448)	
252	10,000	791	82,976	42,678	166,767	74,208	417,454	
<u>\$ 26,326</u>	<u>\$ 10,000</u>	<u>\$ 795</u>	<u>\$ 168,281</u>	<u>\$ 3,341</u>	<u>\$ -</u>	<u>\$ 74,808</u>	<u>\$ 358,006</u>	

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, 2006

	Special Revenue			
	<u>Employee Benefit</u>	<u>Library Special Gift</u>	<u>Police Department Forfeiture</u>	<u>Police Canine</u>
Cash basis fund balance:				
Unreserved:				
Special revenue funds	\$ 32,822	\$ 33,638	\$ 204	\$ 7,791
Capital project funds	-	-	-	-
Debt service	-	-	-	-
Permanent	-	-	-	-
	-	-	-	-
Total cash basis fund balance	\$ 32,822	\$ 33,638	\$ 204	\$ 7,791

<u>Anamosa/ Monticello Local Access</u>	<u>Cemetary Operations</u>	<u>Wetlands Project</u>	<u>Debt Service Special Assessment</u>	<u>Capital Projects 130th Street Project</u>	<u>Capital Projects</u>	<u>Permanent Cemetary Perpetual Care</u>	<u>Totals</u>
\$ 26,326	\$ 10,000	\$ 795	\$ -	\$ -	\$ -	\$ -	\$ 111,576
-	-	-	-	3,341	-	-	3,341
-	-	-	168,281	-	-	-	168,281
-	-	-	-	-	-	74,808	74,808
<u>\$ 26,326</u>	<u>\$ 10,000</u>	<u>\$ 795</u>	<u>\$ 168,281</u>	<u>\$ 3,341</u>	<u>\$ -</u>	<u>\$ 74,808</u>	<u>\$ 358,006</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, 2006

OPERATING RECEIPTS:

Miscellaneous	<u>\$ 24,092</u>
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OPERATING DISBURSEMENTS:

Business-type activities:	
Water	<u>7,490</u>

Excess of receipts over disbursements	<u>16,602</u>
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NONOPERATING RECEIPTS:

Interest on investments	<u>3,299</u>
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NET CHANGE IN CASH BALANCE	19,901
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CASH BALANCE, BEGINNING	<u>155,512</u>
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CASH BALANCE, ENDING	<u><u>\$ 175,413</u></u>
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CASH BASIS FUND BALANCE:

Reserved:	
Deposits	\$ 175,413
Unreserved	<u>-</u>

Total cash basis fund balance	<u><u>\$ 175,413</u></u>
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CITY OF ANAMOSA
Statement of Indebtedness
Year ended June 30, 2006

<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 TIF 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			

<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>
\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 2,025	\$ -
240,000	-	60,000	180,000	13,250	-
465,000	-	50,000	415,000	33,694	-
48,564	-	24,281	24,283	2,200	-
368,789	-	30,788	338,001	15,311	-
14,400	-	3,600	10,800	505	-
50,000	-	10,000	40,000	1,375	-
<u>1,211,753</u>	<u>-</u>	<u>203,669</u>	<u>1,008,084</u>	<u>68,360</u>	<u>-</u>
<u>1,430,000</u>	<u>-</u>	<u>85,000</u>	<u>1,345,000</u>	<u>65,195</u>	<u>-</u>
2,326,280	-	194,189	2,132,091	96,692	-
35,992	-	35,992	-	2,452	-
365,000	-	35,000	330,000	14,505	-
160,000	-	160,000	-	7,993	-
<u>2,887,272</u>	<u>-</u>	<u>425,181</u>	<u>2,462,091</u>	<u>121,642</u>	<u>-</u>
805,000	-	75,000	730,000	39,525	-
1,520,000	-	100,000	1,420,000	72,400	-
<u>2,325,000</u>	<u>-</u>	<u>175,000</u>	<u>2,150,000</u>	<u>111,925</u>	<u>-</u>
<u>\$ 7,854,025</u>	<u>\$ -</u>	<u>\$ 888,850</u>	<u>\$ 6,965,175</u>	<u>\$ 367,122</u>	<u>\$ -</u>

CITY OF ANAMOSA
Bond and Note Maturities
June 30, 2006

Year Ending <u>June 30,</u>	<u>2000 GO Bond</u>		<u>Street Improvement</u>		<u>General Obligation Debt</u>	
	<u>Issued July 1, 2000</u>		<u>Issued June 1, 1998</u>		<u>Anticipation Note</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Issued August 1, 2001</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2007	5.50 %	\$ 65,000	4.65 %	\$ 50,000	4.50 %	\$ 24,283
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>\$ 180,000</u>		<u>\$ 415,000</u>		<u>\$ 24,283</u>

Year Ending <u>June 30,</u>	<u>Road Use Tax Revenue</u>		<u>TIF G.O.</u>		<u>TIF Revenue-Refinancing</u>	
	<u>Issued Nov. 1, 2002</u>		<u>Issued Nov. 1, 2002</u>		<u>Issued November 1, 2002</u>	
	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2007	3.55 %	\$ 90,000	3.20 %	\$ 198,506	3.30 %	\$ 35,000
2008	3.85 %	90,000	3.50 %	142,391	3.60 %	40,000
2009	4.05 %	95,000	3.75 %	146,678	3.80 %	40,000
2010	4.25 %	100,000	4.00 %	155,341	4.00 %	40,000
2011	4.45 %	105,000	4.15 %	159,657	4.20 %	45,000
2012	4.65 %	105,000	4.30 %	168,291	4.40 %	45,000
2013	4.75 %	110,000	4.40 %	172,607	4.50 %	45,000
2014	4.85 %	115,000	4.50 %	181,240	4.60 %	40,000
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>\$1,345,000</u>		<u>\$2,132,091</u>		<u>\$ 330,000</u>

<u>Refunding Notes</u>		<u>Police Car</u>		<u>Equipment Note</u>	
<u>Issued November 1, 2002</u>		<u>Issued Sept. 17, 2003</u>		<u>Issued Nov. 1, 2004</u>	
Interest		Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
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 %	<u>33,514</u>	-	-	-	-
Total	\$ <u>338,001</u>		\$ <u>10,800</u>		\$ <u>40,000</u>

Revenue Debt

<u>Water Revenue</u>		<u>Sewer Revenue</u>	
<u>Issued April 1, 1999</u>		<u>Issued October 1, 2002</u>	
Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
4.70 %	\$ 75,000	3.90 %	\$ 105,000
4.75 %	80,000	4.10 %	105,000
4.80 %	85,000	4.30 %	110,000
4.85 %	90,000	4.50 %	115,000
4.95 %	95,000	4.70 %	120,000
5.05 %	95,000	4.90 %	125,000
5.10 %	100,000	5.00 %	135,000
5.15 %	110,000	5.10 %	140,000
-	-	5.20 %	145,000
-	-	5.30 %	155,000
-	-	5.40 %	165,000
-	-	-	-
Total	\$ <u>730,000</u>		\$ <u>1,420,000</u>

CITY OF ANAMOSA

Comparison of Tax and Intergovernmental Receipts

	Years Ended June 30,			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Tax	\$ 973,794	\$ 914,511	\$ 940,696	\$ 943,803
Tax increment financing collections	576,509	565,948	454,698	391,204
Other city tax:				
Mobile home tax	12,559	12,163	12,768	10,762
Utility tax replacement excise tax	89,229	73,229	47,551	44,547
Hotel/motel tax	19,064	17,926	18,405	17,021
Local option sales tax	292,940	324,060	317,029	277,578
	<u>413,792</u>	<u>427,378</u>	<u>395,753</u>	<u>349,908</u>
Intergovernmental:				
State allocation	-	-	-	62,236
Bank franchise tax	-	9,759	13,839	15,141
Road use tax	459,988	456,804	457,582	447,284
Housing rehabilitation grant	17,985	76,264	96,549	182,107
Community development grant	-	-	25,000	-
CAT grant	16,930	76,567	106,503	-
Local access share	41,098	-	-	-
U-STEP grant	97,120	-	-	-
RISE Grant	54,731	-	-	-
REAP grant	88,475	-	-	-
FEMA grant	-	61,416	-	114,303
Cable TV/ Gas franchise	74,514	26,056	27,851	27,091
County Library support	14,074	14,074	14,074	14,074
Other	23,157	47,090	23,363	11,077
	<u>888,072</u>	<u>768,030</u>	<u>764,761</u>	<u>873,313</u>
Total	<u>\$ 2,852,167</u>	<u>\$ 2,675,867</u>	<u>\$ 2,555,908</u>	<u>\$ 2,558,228</u>

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

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, 2006, which collectively comprise the City of Anamosa's basic financial statements and have issued our report thereon dated August 14, 2006. 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-2006 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-2006.

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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, 2006, 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 14, 2006

CITY OF ANAMOSA
Schedule of Findings
Year ended June 30, 2006

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

PART I - FINANCIAL STATEMENT FINDINGS

I-A-2006 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 staff.

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, 2006

FINDINGS RELATED TO STATUTORY REPORTING

II-A-2006 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the community and economic development, and capital projects 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-B-2006 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-C-2006 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-2006 Business Transactions - We noted the following business transaction between the City and City officials or employees:

Bill Fledmann	\$ 1,082.85
---------------	-------------

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-E-2006 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-F-2006 Revenue Notes - As of June 30, 2006, the City was in compliance with the funding and payment provisions of the revenue note resolutions.

II-G-2006 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

CITY OF ANAMOSA

Schedule of Findings

Year ended June 30, 2006

II-H-2006 Financial Condition - The Capital Projects, Street Projects Fund had a deficit balance at June 30, 2006 of \$607,965

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The deficit was due to construction cost incurred prior to the receipt of revenues. The deficiency was subsequently eliminated.

CITY OF ANAMOSA

Audit Staff

This audit was performed by:

William E. Murray, CPA, Partner

William Vincent, CPA, Partner

Andrew J. Johnson, CPA, Senior Associate

Justin Zimmerman, CPA, Senior Associate

Tonya Determan, Associate