

CITY OF ANAMOSA, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

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CITY OF ANAMOSA

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|---------------------|----------------------------|
| Dale Barnes | Mayor | January 2012 |
| Brady Reynolds | Council Member | January 2012 |
| Cody Shaffer | Council Member | January 2012 |
| Bill Feldmann | Council Member | January 2014 |
| Andy Bowers | Council Member | January 2014 |
| Chuck Smith | Council Member | January 2014 |
| Mike Dearborn | Council Member | January 2012 |
| Alan Johnson | City Administrator | Indefinite |
| Tammy Coons | City Clerk | Indefinite |
| Penny Lode | Deputy City Clerk | Indefinite |
| Adrian Knuth | City Attorney | Indefinite |

CITY OF ANAMOSA



CliftonLarsonAllen

Independent Auditor's Report

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

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, 2011, which collectively comprise the City's basic financial statements as 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 opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than 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, Iowa as of June 30, 2011, 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 April 16, 2012 on our consideration of City of Anamosa, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 8 through 13 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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, Iowa'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 five years ended June 30, 2010 (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 6, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 the 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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 16, 2012

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts totaled \$7,696,986.
- Disbursements totaled \$8,603,315.
- The City's total cash basis net assets at fiscal year ended June 30, 2011 totaled \$6,072,814.

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 - Cash Basis. 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, non-major enterprise fund and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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 - Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets - Cash Basis presents the City's net assets - cash basis. Over time, increases or decreases in the City's net assets - cash basis 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 system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and consumer deposits funds.

The required financial statements for proprietary funds is 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, 2011 is \$3,064,482. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

| | <u>Year Ended June 30, 2011</u> | <u>Year Ended June 30, 2010</u> |
|--|-------------------------------------|-------------------------------------|
| Receipts: | | |
| Property tax | \$ 1,400,549 | \$ 1,308,682 |
| Tax increment financing collections | 352,582 | 379,144 |
| Other city tax | 663,601 | 633,658 |
| Licenses and permits | 18,964 | 21,356 |
| Use of money and property | 49,345 | 53,078 |
| Intergovernmental | 1,703,118 | 2,408,563 |
| Charges for services | 248,069 | 277,348 |
| Special assessments | 39,568 | 31,838 |
| Miscellaneous | <u>234,884</u> | <u>159,540</u> |
| Total receipts | <u>4,710,680</u> | <u>5,345,207</u> |
| Disbursements: | | |
| Public safety | 929,824 | 1,281,885 |
| Public works | 814,899 | 828,624 |
| Culture and recreation | 697,926 | 771,787 |
| Community and economic development | 19,085 | 38,207 |
| General government | 499,927 | 510,517 |
| Debt service | 2,696,820 | 5,038,860 |
| Capital projects | <u>1,341,948</u> | <u>163,246</u> |
| Total disbursements | <u>7,000,429</u> | <u>8,633,126</u> |
| Excess of disbursements over receipts | <u>(2,289,749)</u> | <u>(3,287,919)</u> |
| Other financing sources (uses): | | |
| Bond proceeds | 400,000 | 4,319,121 |
| Sale of capital assets | 4,224 | 4,739 |
| Operating transfers in | 2,053,566 | 1,456,718 |
| Operating transfers out | <u>(1,352,087)</u> | <u>(1,456,718)</u> |
| Net other financing sources | <u>1,105,703</u> | <u>4,323,860</u> |
| Net change in cash basis net assets | (1,184,046) | 1,035,941 |
| Cash basis net assets, beginning | <u>4,248,528</u> | <u>3,212,587</u> |
| Cash basis net assets, ending | <u>\$ 3,064,482</u> | <u>\$ 4,248,528</u> |

The City's total receipts for governmental activities were \$5,114,904 which included bond proceeds and sale of capital assets.

The City increased property tax rates for 2011 by \$.08 per thousand of taxable valuation, from \$16.00 to \$16.08 per thousand of taxable valuation. The increase in the property tax rate was due to the debt service levy decreasing and the cost of insurance increasing.

The cost of all governmental activities this year was just over \$7 million.

Changes in Cash Basis Net Assets of Business Type Activities

| | <u>Year Ended June 30, 2011</u> | <u>Year Ended June 30, 2010</u> |
|---|-------------------------------------|-------------------------------------|
| Program Receipts: | | |
| Charges for services: | | |
| Water | \$ 668,615 | \$ 721,556 |
| Sewer | 1,688,338 | 1,468,201 |
| Capital grants, contributions and restricted interest | 136,511 | - |
| General Receipts: | | |
| Interest on investments | 9,326 | 30,687 |
| Miscellaneous | <u>79,292</u> | <u>105,984</u> |
| Total receipts | <u>2,582,082</u> | <u>2,326,428</u> |
| Disbursements: | | |
| Water | 692,550 | 603,181 |
| Sewer | 587,113 | 863,136 |
| Debt service | <u>323,223</u> | <u>825,608</u> |
| Total disbursements | <u>1,602,886</u> | <u>2,291,925</u> |
| Change in cash basis net assets before transfers | 979,196 | 34,503 |
| Transfers, net | <u>(701,479)</u> | <u>-</u> |
| Increase in cash basis net assets | 277,717 | 34,503 |
| Cash basis net assets beginning of year | <u>2,730,615</u> | <u>2,696,112</u> |
| Cash basis net assets end of year | <u>\$ 3,008,332</u> | <u>\$ 2,730,615</u> |

Total business type activities receipts for the fiscal year were \$2,582,082. The cash balance increased by \$ 277,717 from the prior year. Total disbursements for the fiscal year were \$1,602,886.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$3,064,482, a decrease of \$1,184,046 from the prior year's total of \$4,248,528. 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 \$124,984 from the prior year to \$1,671,924 million. This increase in the General Fund cash balance is due to the receipt of Federal FEMA funds for the flood of 2008.
- The Special Revenue, Road Use Tax Fund cash balance decreased slightly by \$10,495 as compared to a decrease in FY 2010 of \$25,791. The slight decrease is due to increased spending for street maintenance.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased by \$114,989 as compared to an increase in FY 2010 of \$45,273. The decrease is due to temporarily funding the remaining 2008 flood repairs, which will be reimbursed with the final receipt of FEMA funds.
- The Special Revenue, Special Assessment Fund cash balance increased slightly by \$6,568 as compared to an increase in FY 2010 of \$31,838. The slight increase is due to the collection of the special assessment taxes for streetscapes.
- The Debt Service Fund cash balance decreased \$603,369 to \$124,839 during the fiscal year. The decrease was due to the timing of the 2010 refinancing of the GO bonds.
- The Capital Project, Sewer Projects Fund cash balance decreased \$329,998 to \$(335,118) during the fiscal year. This decrease was due to expenditures paid for the WWTP Flood Mitigation Project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$150,412 to \$579,789 compared to a prior year cash balance decrease of \$320,765. The increase in the Water Fund is primarily due to decreased spending on water projects.
- The Enterprise, Sewer Fund cash balance increased by \$108,913 to \$2,143,059, with \$326,400 in reserves, as compared to a prior year cash balance increase of \$333,546. The increase in the Sewer Fund is primarily due to the scheduled increases in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 9, 2011 and resulted in an increase in intergovernmental revenues due to the receipt of Federal FEMA reimbursement for damages from the flood of 2008 and also from other financing sources due to interfund transfers.

The increase in budgeted disbursements occurred in all programs except capital projects and culture and recreation. These increases were due to increases in expenditures in the following programs: public safety- for the 2008 flood, public works- expense of State IJOBS funds received, community and economic development- payment of TIF rebates and grants, and general government- payout of benefits for retiring city administrator, and the large increase in expenditures in the debt service program for the payoff of the 2008 interim flood loan.

DEBT ADMINISTRATION

Outstanding Debt at Year-End

| | <u>June 30, 2011</u> |
|----------------------------------|----------------------------|
| General obligation bonds & notes | \$ 4,190,000 |
| Road use tax revenue bonds | 865,000 |
| Sewer revenue bonds | <u>2,594,762</u> |
| Total | <u>\$ 7,649,762</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 \$4,190,000 is significantly below its constitutional debt limit of approximately \$9.5 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 2012 budget, tax rates, and fees that will be charged for various City activities. Unemployment in Jones County averaged 8.7 percent in 2011. This compares with the State's average unemployment rate of 6 percent in 2011.

The housing market has seen a decline in Anamosa in fiscal year 2011. During fiscal year 2011, four single family homes were 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 Alan Johnson, 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, 2011

| | 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 | \$ 929,824 | \$ 65,323 | \$ 247,318 | \$ - |
| Public works | 814,899 | 166,718 | 501,030 | - |
| Culture and recreation | 697,926 | 118,806 | 114,713 | 595 |
| Community and economic development | 19,085 | 10,060 | - | 29,197 |
| General government | 499,927 | 38,714 | - | - |
| Debt service | 2,696,820 | - | - | - |
| Capital projects | 1,341,948 | - | - | 852,194 |
| Total governmental activities | <u>7,000,429</u> | <u>399,621</u> | <u>863,061</u> | <u>881,986</u> |
| Business type activities: | | | | |
| Water | 692,550 | 723,376 | 1,467 | 136,511 |
| Sewer | 910,336 | 1,712,869 | 7,859 | - |
| Total business type activities | <u>1,602,886</u> | <u>2,436,245</u> | <u>9,326</u> | <u>136,511</u> |
| Total | <u>\$ 8,603,315</u> | <u>\$ 2,835,866</u> | <u>\$ 872,387</u> | <u>\$ 1,018,497</u> |

GENERAL RECEIPTS AND TRANSFERS:

Property taxes levied for:
 General purposes
 Employee benefits
 Debt service
 Tax increment financing
 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
Changes in Cash Basis Net Assets**

| Governmental Activities | Business Type Activities | Total |
|------------------------------------|-------------------------------------|--------------------|
| \$ (617,183) | \$ - | \$ (617,183) |
| (147,151) | - | (147,151) |
| (463,812) | - | (463,812) |
| 20,172 | - | 20,172 |
| (461,213) | - | (461,213) |
| (2,696,820) | - | (2,696,820) |
| (489,754) | - | (489,754) |
| <u>(4,855,761)</u> | <u>-</u> | <u>(4,855,761)</u> |
| - | 168,804 | 168,804 |
| - | 810,392 | 810,392 |
| - | 979,196 | 979,196 |
| <u>(4,855,761)</u> | <u>979,196</u> | <u>(3,876,565)</u> |
| 785,198 | - | 785,198 |
| 448,591 | - | 448,591 |
| 166,758 | - | 166,758 |
| 352,582 | - | 352,582 |
| 296,540 | - | 296,540 |
| 381,331 | - | 381,331 |
| 69,400 | - | 69,400 |
| 26,044 | - | 26,044 |
| 39,568 | - | 39,568 |

(continued)

CITY OF ANAMOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

| | | 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> |
| GENERAL RECEIPTS AND TRANSFERS: (continued) | | | | |
| Bond proceeds | | | | |
| Sale of capital assets | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| CHANGE IN CASH BASIS NET ASSETS | | | | |
| CASH BASIS NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | | | | |
| Prior period adjustment | | | | |
| CASH BASIS NET ASSETS, BEGINNING OF YEAR, AS RESTATED | | | | |
| CASH BASIS NET ASSETS, END OF YEAR | | | | |
| CASH BASIS NET ASSETS: | | | | |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Cemetery perpetual care | | | | |
| Expendable: | | | | |
| Urban renewal purposes | | | | |
| Debt service | | | | |
| Streets | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| TOTAL CASH BASIS NET ASSETS | | | | |

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

| Governmental Activities | Business Type Activities | Total |
|------------------------------------|-------------------------------------|---------------------|
| 400,000 | - | 400,000 |
| 4,224 | - | 4,224 |
| <u>701,479</u> | <u>(701,479)</u> | <u>-</u> |
| <u>3,671,715</u> | <u>(701,479)</u> | <u>2,970,236</u> |
| <u>(1,184,046)</u> | <u>277,717</u> | <u>(906,329)</u> |
| 4,108,528 | 2,730,615 | 6,839,143 |
| <u>140,000</u> | <u>-</u> | <u>140,000</u> |
| <u>4,248,528</u> | <u>2,730,615</u> | <u>6,979,143</u> |
| <u>\$ 3,064,482</u> | <u>\$ 3,008,332</u> | <u>\$ 6,072,814</u> |
| | | |
| \$ 93,752 | \$ - | \$ 93,752 |
| 183,831 | - | 183,831 |
| 476,231 | 326,400 | 802,631 |
| 517,169 | - | 517,169 |
| 515,125 | 285,484 | 800,609 |
| <u>1,278,374</u> | <u>2,396,448</u> | <u>3,674,822</u> |
| | | |
| <u>\$ 3,064,482</u> | <u>\$ 3,008,332</u> | <u>\$ 6,072,814</u> |

The accompanying notes are an integral part of 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, 2011

| | Special Revenue | | | |
|---|-------------------------|---------------------------------------|-------------------------------|---------------|
| General | Road Use Tax | Local Option Sales Tax | Special Assessment | |
| RECEIPTS: | | | | |
| Property tax | \$ 785,200 | \$ - | \$ - | \$ - |
| Tax increment financing collections | - | - | - | - |
| Other city tax | 275,486 | - | 381,330 | - |
| Licenses and permits | 18,964 | - | - | - |
| Use of money and property | 48,736 | - | - | - |
| Intergovernmental | 323,570 | 501,030 | - | - |
| Charges for services | 248,069 | - | - | - |
| Special assessments | - | - | - | 39,568 |
| Miscellaneous | 232,640 | - | - | - |
| | <u>1,932,665</u> | <u>501,030</u> | <u>381,330</u> | <u>39,568</u> |
| Total receipts | | | | |
| DISBURSEMENTS: | | | | |
| Operating: | | | | |
| Public safety | 869,894 | - | 59,571 | - |
| Public works | 348,634 | 299,080 | 167,185 | - |
| Culture and recreation | 613,432 | - | 46,376 | - |
| Community and economic development | - | - | - | - |
| General government | 498,700 | - | - | - |
| Debt service | - | 120,125 | - | 33,000 |
| Capital projects | - | - | - | - |
| | <u>2,330,660</u> | <u>419,205</u> | <u>273,132</u> | <u>33,000</u> |
| Total disbursements | | | | |
| Excess (deficiency) of receipts over (under) disbursements | <u>(397,995)</u> | <u>81,825</u> | <u>108,198</u> | <u>6,568</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Bond proceeds | - | - | - | - |
| Sale of capital assets | 4,224 | - | - | - |
| Operating transfers in | 546,035 | - | - | - |
| Operating transfers out | (167,281) | (92,320) | (223,187) | - |
| | <u>382,978</u> | <u>(92,320)</u> | <u>(223,187)</u> | <u>-</u> |
| Net other financing sources (uses) | | | | |

Exhibit B

| | <u>Capital Projects</u> | | | |
|---------------------|-------------------------|------------------------------------|---------------|--------------------|
| <u>Debt Service</u> | <u>Sewer Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Totals</u> | |
| \$ 166,758 | \$ - | \$ 448,591 | \$ | 1,400,549 |
| - | - | 352,582 | | 352,582 |
| 6,037 | - | 748 | | 663,601 |
| - | - | - | | 18,964 |
| - | - | 609 | | 49,345 |
| - | 771,761 | 106,757 | | 1,703,118 |
| - | - | - | | 248,069 |
| - | - | - | | 39,568 |
| - | - | 2,244 | | 234,884 |
| <u>172,795</u> | <u>771,761</u> | <u>911,531</u> | | <u>4,710,680</u> |
| - | - | 359 | | 929,824 |
| - | - | - | | 814,899 |
| - | - | 38,118 | | 697,926 |
| - | - | 19,085 | | 19,085 |
| - | 560 | 667 | | 499,927 |
| 2,543,695 | - | - | | 2,696,820 |
| - | 1,101,199 | 240,749 | | 1,341,948 |
| <u>2,543,695</u> | <u>1,101,759</u> | <u>298,978</u> | | <u>7,000,429</u> |
| <u>(2,370,900)</u> | <u>(329,998)</u> | <u>612,553</u> | | <u>(2,289,749)</u> |
| 400,000 | - | - | | 400,000 |
| - | - | - | | 4,224 |
| 1,437,531 | - | 70,000 | | 2,053,566 |
| (70,000) | - | (799,299) | | (1,352,087) |
| <u>1,767,531</u> | <u>-</u> | <u>(729,299)</u> | | <u>1,105,703</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, 2011

| | Special Revenue | | | |
|---|------------------------|-------------------------|---------------------------------------|-------------------------------|
| | General | Road Use Tax | Local Option Sales Tax | Special Assessment |
| NET CHANGE IN CASH BALANCES | (15,017) | (10,495) | (114,989) | 6,568 |
| CASH BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | 1,546,941 | 303,761 | 754,711 | 344,824 |
| Prior period adjustment | 140,000 | - | - | - |
| CASH BALANCES, BEGINNING OF YEAR, AS RESTATED | 1,686,941 | 303,761 | 754,711 | 344,824 |
| CASH BALANCES, END OF YEAR | \$ 1,671,924 | \$ 293,266 | \$ 639,722 | \$ 351,392 |
| CASH BASIS FUND BALANCES: | | | | |
| Nonspendable - Cemetery perpetual care | \$ - | \$ - | \$ - | \$ - |
| Restricted for: | | | | |
| Urban renewal purposes | - | - | - | - |
| Debt service | - | - | - | 351,392 |
| Streets | - | 293,266 | 223,903 | - |
| Other purposes | - | - | 415,819 | - |
| Assigned for: | | | | |
| Street capital project | - | - | - | - |
| Tree planting | - | - | - | - |
| Unassigned | 1,671,924 | - | - | - |
| Total cash basis fund balances | \$ 1,671,924 | \$ 293,266 | \$ 639,722 | \$ 351,392 |

Exhibit B

| <u>Debt Service</u> | <u>Capital Projects</u> <u>Sewer Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Totals</u> |
|-------------------------|--|--|---------------------|
| (603,369) | (329,998) | (116,746) | (1,184,046) |
| 728,208 | (5,120) | 435,203 | 4,108,528 |
| - | - | - | 140,000 |
| <u>728,208</u> | <u>(5,120)</u> | <u>435,203</u> | <u>4,248,528</u> |
| <u>\$ 124,839</u> | <u>\$ (335,118)</u> | <u>\$ 318,457</u> | <u>\$ 3,064,482</u> |
| \$ - | \$ - | \$ 93,752 | \$ 93,752 |
| - | - | 183,831 | 183,831 |
| 124,839 | - | - | 476,231 |
| - | - | - | 517,169 |
| - | - | 99,306 | 515,125 |
| - | - | 138,259 | 138,259 |
| - | - | 2,140 | 2,140 |
| - | (335,118) | (198,831) | 1,137,975 |
| <u>\$ 124,839</u> | <u>\$ (335,118)</u> | <u>\$ 318,457</u> | <u>\$ 3,064,482</u> |

The accompanying notes are an integral part of 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, 2011

| | Enterprise | | Nonmajor Enterprise Fund | Total |
|--|-------------------|---------------------|--------------------------------|---------------------|
| | Water | Sewer | | |
| OPERATING RECEIPTS: | | | | |
| Charges for services | \$ 668,615 | \$ 1,688,338 | \$ - | \$ 2,356,953 |
| Miscellaneous | 31,761 | 24,531 | 23,000 | 79,292 |
| Total operating receipts | <u>700,376</u> | <u>1,712,869</u> | <u>23,000</u> | <u>2,436,245</u> |
| OPERATING DISBURSEMENTS: | | | | |
| Business type activities: | | | | |
| Water | 687,312 | - | 5,238 | 692,550 |
| Sewer | - | 587,113 | - | 587,113 |
| Total operating disbursements | <u>687,312</u> | <u>587,113</u> | <u>5,238</u> | <u>1,279,663</u> |
| Excess of operating receipts over operating disbursements | <u>13,064</u> | <u>1,125,756</u> | <u>17,762</u> | <u>1,156,582</u> |
| NONOPERATING RECEIPTS (DISBURSEMENTS): | | | | |
| Interest on investments | 837 | 7,859 | 630 | 9,326 |
| Intergovernmental | 136,511 | - | - | 136,511 |
| Debt service | - | (323,223) | - | (323,223) |
| Net nonoperating receipts (disbursements) | <u>137,348</u> | <u>(315,364)</u> | <u>630</u> | <u>(177,386)</u> |
| Excess of receipts over disbursements | 150,412 | 810,392 | 18,392 | 979,196 |
| OTHER FINANCING USES: | | | | |
| Operating transfers out | - | (701,479) | - | (701,479) |
| NET CHANGE IN CASH BALANCES | 150,412 | 108,913 | 18,392 | 277,717 |
| CASH BALANCES, BEGINNING OF YEAR | <u>429,377</u> | <u>2,034,146</u> | <u>267,092</u> | <u>2,730,615</u> |
| CASH BALANCES, END OF YEAR | <u>\$ 579,789</u> | <u>\$ 2,143,059</u> | <u>\$ 285,484</u> | <u>\$ 3,008,332</u> |
| CASH BASIS FUND BALANCES: | | | | |
| Restricted: | | | | |
| Debt service | \$ - | \$ 326,400 | \$ - | \$ 326,400 |
| Other purposes | - | - | 285,484 | 285,484 |
| Unrestricted | <u>579,789</u> | <u>1,816,659</u> | <u>-</u> | <u>2,396,448</u> |
| Total cash basis fund balances | <u>\$ 579,789</u> | <u>\$ 2,143,059</u> | <u>\$ 285,484</u> | <u>\$ 3,008,332</u> |

The accompanying notes are an integral part of the financial statements.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis 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 service.

The Statement of Activities and Net Assets – Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent fund.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statement (continued)

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis 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 and enterprise funds are aggregated and reported as nonmajor governmental or nonmajor enterprise funds.

The City reports the following major governmental funds:

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

Special Revenue:

Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used to maintain and repair all roadways within the City.

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

Special Assessment Fund is used to account for the collection of special assessment charges in order to pay specially assessed bonds by their call dates.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Capital Projects, Sewer Projects Fund is used to account for capital projects for the sewer.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

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

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable are amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted amounts are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned are amounts the Council intends to use for specific purposes.

Unassigned are all amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service, public safety, and community and economic development functions, prior to the budget being amended.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, at the Jones County Treasurer's Office. These taxes are recognized as income to the City when they are received from the County.

(2) **Cash**

The City's deposits in banks at June 30, 2011 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.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(2) Cash (continued)

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

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

During fiscal year 2011, the City issued \$400,000 of general obligation notes with an interest rate of 2.85%, payable in 5 annual installments starting in June 2011. The purpose of these notes was for a public works facility.

Annual debt service requirements to maturity of general obligation bonds and notes, special revenue bonds and notes and revenue 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> |
| 2012 | \$ 470,000 | \$ 118,231 | \$ 105,000 | \$ 43,003 | \$ 222,000 | \$ 103,420 | \$ 797,000 | \$ 264,654 |
| 2013 | 540,000 | 110,071 | 110,000 | 38,120 | 235,000 | 94,385 | 885,000 | 242,576 |
| 2014 | 505,000 | 99,400 | 115,000 | 32,895 | 243,000 | 84,635 | 863,000 | 216,930 |
| 2015 | 490,000 | 88,370 | 125,000 | 27,317 | 251,000 | 74,405 | 866,000 | 190,092 |
| 2016 | 865,000 | 75,850 | 130,000 | 21,130 | 264,000 | 63,685 | 1,259,000 | 160,665 |
| 2017 | 145,000 | 53,105 | 135,000 | 14,565 | 278,000 | 52,200 | 558,000 | 119,870 |
| 2018 | 155,000 | 48,030 | 145,000 | 7,612 | 116,000 | 39,900 | 416,000 | 95,542 |
| 2019 | 195,000 | 42,218 | - | - | 119,000 | 36,420 | 314,000 | 78,638 |
| 2020 | 260,000 | 34,710 | - | - | 123,000 | 32,850 | 383,000 | 67,560 |
| 2021 | 275,000 | 24,310 | - | - | 127,000 | 29,160 | 402,000 | 53,470 |
| 2022 | 290,000 | 12,760 | - | - | 131,000 | 25,350 | 421,000 | 38,110 |
| 2023 | - | - | - | - | 134,000 | 21,420 | 134,000 | 21,420 |
| 2024 | - | - | - | - | 139,000 | 17,400 | 139,000 | 17,400 |
| 2025 | - | - | - | - | 143,000 | 13,230 | 143,000 | 13,230 |
| 2026 | - | - | - | - | 69,762 | 8,940 | 69,762 | 8,940 |
| 2027 | - | - | - | - | - | 4,530 | - | 4,530 |
| Total | <u>\$4,190,000</u> | <u>\$ 707,055</u> | <u>\$ 865,000</u> | <u>\$ 184,642</u> | <u>\$2,594,762</u> | <u>\$ 701,930</u> | <u>\$ 7,649,762</u> | <u>\$1,593,627</u> |

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(3) Bonds and Notes Payable (continued)

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 payment 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.

Sewer revenue 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 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 payment due and 1/6th of the next interest payment 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.
- d) An improvement and extension fund is to be established with a required fund balance of \$50,000.

As of June 30, 2011, the City was in compliance with provisions of the debt resolutions listed above.

Interest expense for the current year totaled \$314,375.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-------------------------|-------------------------|--------------------|
| General | Special Revenue: | |
| | Road Use Tax | \$ 92,320 |
| | Employee Benefits | 443,715 |
| | Library Special Gift | <u>10,000</u> |
| | | <u>546,035</u> |
| Debt Service | Special Revenue: | |
| | Tax Increment Financing | 345,584 |
| | Local Option Sales Tax | 223,187 |
| | Proprietary Fund: | |
| | Sewer | 701,479 |
| | General | <u>167,281</u> |
| | | <u>1,437,531</u> |
| Special Revenue: | | |
| Tax Increment Financing | Debt Service | <u>70,000</u> |
| Total | | <u>\$2,053,566</u> |

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

(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, PO Box 9117, Des Moines, Iowa 50306 -9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of 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, 2011, 2010, and 2009 were \$ 89,791, \$80,706, and \$70,148, respectively, equal to the required contributions for each year.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment for subsequent use or for payment upon termination, retirement or death. 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. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund, is \$54,963. This liability has been computed based on pay rates in effect at June 30, 2011.

(7) Related Party Transactions

The City had business transactions between the City and a business owned by a Council member's family totaling \$634 during the year ended June 30, 2011.

The City had business transactions between the City and a business owned by a Council member totaling \$467 during the year ended June 30, 2011.

(8) Construction Project Commitments

As of June 30, 2011, the City has various outstanding construction contracts totaling \$5,170,447.

(9) Risk Management

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

(10) Deficit Balances

The Capital Projects, Water Projects Fund had a deficit balance of \$27,711 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated by management through receipt of grant or bond proceeds.

The Capital Projects, Sewer Projects Fund had a deficit balance of \$335,118 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated by management through receipt of grant or bond proceeds.

The Capital Projects, Street Projects Fund had a deficit balance of \$168,520 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated by management through receipt of grant or bond proceeds.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2011

(10) Deficit Balances

The Special Revenue, Anamosa/Monticello Local Access Fund had a deficit balance of \$2,600 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated by management through receipt of operating revenues.

(11) Accounting Change/Restatement

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

| | <u>Permanent Cemetery Operations</u> | <u>Special Revenue Cemetery Operations</u> |
|---|--|--|
| Balances June 30, 2010, as previously reported | \$ - | \$ 10,000 |
| Change in fund type classification per implementation of GASB Statement No. 54 | <u>10,000</u> | <u>(10,000)</u> |
| Balances July 1, 2010, as restated | <u>\$ 10,000</u> | <u>\$ -</u> |

(12) Prior Period Adjustment and Restatement

In June 2010, the Water and Wastewater Enterprise Funds paid a management fee totaling \$140,000 to the General Fund. The expense was recorded by the Enterprise Funds but the General Fund did not record the revenue until July 2010. As a result, General Fund revenue and net assets were understated at June 30, 2010 by \$140,000. A prior period adjustment was made to increase the June 30, 2010 General Fund net asset balance by \$140,000.

(13) Subsequent Events

Management evaluated subsequent events through April 16, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to April 16, 2012, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

In October 2011, the City issued GO bonds in the amount of \$700,000 for a street construction project.

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 and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year ended June 30, 2011

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> | <u>Total</u> |
|---|---|--|---------------------|
| RECEIPTS: | | | |
| Property tax | \$ 1,400,549 | \$ - | \$ 1,400,549 |
| Tax increment financing collections | 352,582 | - | 352,582 |
| Other city tax | 663,601 | - | 663,601 |
| Licenses and permits | 18,964 | - | 18,964 |
| Use of money and property | 49,345 | 9,326 | 58,671 |
| Intergovernmental | 1,703,118 | 136,511 | 1,839,629 |
| Charges for services | 248,069 | 2,356,953 | 2,605,022 |
| Special assessments | 39,568 | - | 39,568 |
| Miscellaneous | <u>234,884</u> | <u>79,292</u> | <u>314,176</u> |
| Total receipts | <u>4,710,680</u> | <u>2,582,082</u> | <u>7,292,762</u> |
| DISBURSEMENTS: | | | |
| Public safety | 929,824 | - | 929,824 |
| Public works | 814,899 | - | 814,899 |
| Culture and recreation | 697,926 | - | 697,926 |
| Community and economic development | 19,085 | - | 19,085 |
| General government | 499,927 | - | 499,927 |
| Debt service | 2,696,820 | - | 2,696,820 |
| Capital projects | 1,341,948 | - | 1,341,948 |
| Business type activities | <u>-</u> | <u>1,602,886</u> | <u>1,602,886</u> |
| Total disbursements | <u>7,000,429</u> | <u>1,602,886</u> | <u>8,603,315</u> |
| Excess (deficiency) of receipts over (under) disbursements | (2,289,749) | 979,196 | (1,310,553) |
| OTHER FINANCING SOURCES, NET | <u>1,105,703</u> | <u>(701,479)</u> | <u>404,224</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (1,184,046) | 277,717 | (906,329) |
| BALANCE, BEGINNING OF YEAR, AS RESTATED | <u>4,248,528</u> | <u>2,730,615</u> | <u>6,979,143</u> |
| BALANCE, END OF YEAR | <u>\$ 3,064,482</u> | <u>\$ 3,008,332</u> | <u>\$ 6,072,814</u> |

| <u>Budgeted Amounts</u> | | Final to |
|-------------------------|---------------------|---------------------|
| <u>Original</u> | <u>Final</u> | Total |
| | | <u>Variance</u> |
| \$ 1,568,714 | \$ 1,568,714 | \$ (168,165) |
| 341,117 | 341,117 | 11,465 |
| 457,712 | 457,712 | 205,889 |
| 5,500 | 5,500 | 13,464 |
| 87,480 | 87,480 | (28,809) |
| 7,807,236 | 8,083,752 | (6,244,123) |
| 2,447,962 | 2,447,962 | 157,060 |
| 26,000 | 26,000 | 13,568 |
| <u>280,559</u> | <u>280,559</u> | <u>33,617</u> |
| | | |
| <u>13,022,280</u> | <u>13,298,796</u> | <u>(6,006,034)</u> |
| | | |
| 771,853 | 1,007,453 | 77,629 |
| 867,244 | 896,444 | 81,545 |
| 786,447 | 786,447 | 88,521 |
| 14,777 | 93,285 | 74,200 |
| 528,452 | 569,835 | 69,908 |
| 601,561 | 2,696,901 | 81 |
| 9,525,400 | 9,525,400 | 8,183,452 |
| <u>2,267,727</u> | <u>2,267,727</u> | <u>664,841</u> |
| | | |
| <u>15,363,461</u> | <u>17,843,492</u> | <u>9,240,177</u> |
| | | |
| (2,341,181) | (4,544,696) | 3,234,143 |
| <u>2,280,000</u> | <u>2,680,000</u> | <u>(2,275,776)</u> |
| | | |
| (61,181) | (1,864,696) | 958,367 |
| <u>6,057,128</u> | <u>6,057,128</u> | <u>922,015</u> |
| | | |
| <u>\$ 5,995,947</u> | <u>\$ 4,192,432</u> | <u>\$ 1,880,382</u> |

See accompanying independent auditor's report.

CITY OF ANAMOSA

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2011

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functional areas are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$276,516 and budgeted disbursements by \$2,480,031. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded budgeted amounts in the public safety, debt service and community and economic development functions, prior to the budget being amended.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ANAMOSA

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

Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

| | Special Revenue | | | | | | |
|---|------------------------------|-------------------------------------|---|--------------------------|---|-----------------------------|--|
| | Employee Benefits | Library Special Gift | Police Department Forfeiture | Police Canine | Anamosa/ Monticello Local Access | Wetlands Project | Tax Increment Financing |
| RECEIPTS: | | | | | | | |
| Property tax | \$ 448,591 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Tax increment financing collections | - | - | - | - | - | - | 352,582 |
| Other city tax | 748 | - | - | - | - | - | - |
| Use of money and property | - | 595 | - | 4 | 10 | - | - |
| Intergovernmental | - | - | - | - | 26,324 | - | - |
| Miscellaneous | - | - | - | - | - | - | - |
| Total receipts | 449,339 | 595 | - | 4 | 26,334 | - | 352,582 |
| DISBURSEMENTS: | | | | | | | |
| Operating: | | | | | | | |
| Public safety | - | - | - | 359 | - | - | - |
| Culture and recreation | - | - | - | - | 38,118 | - | - |
| Community and economic development | - | - | - | - | - | - | 19,085 |
| General government | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | 38,117 |
| Total disbursements | - | - | - | 359 | 38,118 | - | 57,202 |
| Excess (deficiency) of receipts over (under) disbursements | 449,339 | 595 | - | (355) | (11,784) | - | 295,380 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Operating transfers in | - | - | - | - | - | - | 70,000 |
| Operating transfers out | (443,715) | (10,000) | - | - | - | - | (345,584) |
| Net other financing sources (uses) | (443,715) | (10,000) | - | - | - | - | (275,584) |
| NET CHANGE IN CASH BALANCES | 5,624 | (9,405) | - | (355) | (11,784) | - | 19,796 |
| CASH BALANCES, BEGINNING OF YEAR | 61,702 | 38,337 | 15 | 2,587 | 9,184 | 801 | 164,035 |
| CASH BALANCES, END OF YEAR | \$ 67,326 | \$ 28,932 | \$ 15 | \$ 2,232 | \$ (2,600) | \$ 801 | \$ 183,831 |

| Capital Projects | | | Permanent | | | Totals |
|------------------|----------------|------------------|---------------------------|---------------------|-------------------------|------------|
| Street Projects | Water Projects | Capital Projects | Park & Recreation Project | Cemetery Operations | Cemetery Perpetual Care | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 448,591 |
| - | - | - | - | - | - | 352,582 |
| - | - | - | - | - | - | 748 |
| - | - | - | - | - | - | 609 |
| - | 80,433 | - | - | - | - | 106,757 |
| - | - | - | - | - | 2,244 | 2,244 |
| - | 80,433 | - | - | - | 2,244 | 911,531 |
| - | - | - | - | - | - | 359 |
| - | - | - | - | - | - | 38,118 |
| - | - | - | - | - | - | 19,085 |
| - | 667 | - | - | - | - | 667 |
| 170,756 | 31,876 | - | - | - | - | 240,749 |
| 170,756 | 32,543 | - | - | - | - | 298,978 |
| (170,756) | 47,890 | - | - | - | 2,244 | 612,553 |
| - | - | - | - | - | - | 70,000 |
| - | - | - | - | - | - | (799,299) |
| - | - | - | - | - | - | (729,299) |
| (170,756) | 47,890 | - | - | - | 2,244 | (116,746) |
| 2,236 | (75,601) | 138,259 | 2,140 | 10,000 | 81,508 | 435,203 |
| \$ (168,520) | \$ (27,711) | \$ 138,259 | \$ 2,140 | \$ 10,000 | \$ 83,752 | \$ 318,457 |

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, 2011

| | Special Revenue | | | | | | |
|--|------------------------------|-------------------------------------|---|--------------------------|---|-----------------------------|--|
| | Employee Benefits | Library Special Gift | Police Department Forfeiture | Police Canine | Anamosa/ Monticello Local Access | Wetlands Project | Tax Increment Financing |
| CASH BASIS FUND BALANCES: | | | | | | | |
| Nonspendable - cemetery perpetual care | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted for: | | | | | | | |
| Urban renewal purposes | - | - | - | - | - | - | 183,831 |
| Other purposes | 67,326 | 28,932 | 15 | 2,232 | - | 801 | - |
| Assigned for: | | | | | | | |
| Street capital project | - | - | - | - | - | - | - |
| Tree planting | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | (2,600) | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,600)</u> | <u>-</u> | <u>-</u> |
| Total cash basis fund balances | <u>\$ 67,326</u> | <u>\$ 28,932</u> | <u>\$ 15</u> | <u>\$ 2,232</u> | <u>\$ (2,600)</u> | <u>\$ 801</u> | <u>\$ 183,831</u> |

| <u>Capital Projects</u> | | | <u>Permanent</u> | | | |
|-------------------------|-----------------------|-------------------------|--------------------------------------|----------------------------|--------------------------------|-------------------|
| <u>Street Projects</u> | <u>Water Projects</u> | <u>Capital Projects</u> | <u>Park & Recreation Project</u> | <u>Cemetery Operations</u> | <u>Cemetery Perpetual Care</u> | <u>Totals</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 10,000 | \$ 83,752 | \$ 93,752 |
| - | - | - | - | - | - | 183,831 |
| - | - | - | - | - | - | 99,306 |
| - | - | 138,259 | - | - | - | 138,259 |
| - | - | - | 2,140 | - | - | 2,140 |
| <u>(168,520)</u> | <u>(27,711)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(198,831)</u> |
| <u>\$ (168,520)</u> | <u>\$ (27,711)</u> | <u>\$ 138,259</u> | <u>\$ 2,140</u> | <u>\$ 10,000</u> | <u>\$ 83,752</u> | <u>\$ 318,457</u> |

CITY OF ANAMOSA

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Enterprise Fund - Consumer Deposits

As of and for the year ended June 30, 2011

OPERATING RECEIPTS:

| | |
|---------------|-----------|
| Miscellaneous | \$ 23,000 |
|---------------|-----------|

OPERATING DISBURSEMENTS:

| | |
|---------------------------|--------------|
| Business type activities: | |
| Water | <u>5,238</u> |

| | |
|---------------------------------------|--------|
| Excess of receipts over disbursements | 17,762 |
|---------------------------------------|--------|

NONOPERATING RECEIPTS:

| | |
|-------------------------|------------|
| Interest on investments | <u>630</u> |
|-------------------------|------------|

| | |
|-----------------------------------|--------|
| NET CHANGE IN CASH BALANCE | 18,392 |
|-----------------------------------|--------|

| | |
|--|----------------|
| CASH BALANCE, BEGINNING OF YEAR | <u>267,092</u> |
|--|----------------|

| | |
|----------------------------------|--------------------------|
| CASH BALANCE, END OF YEAR | <u><u>\$ 285,484</u></u> |
|----------------------------------|--------------------------|

CASH BASIS FUND BALANCE:

| | |
|-------------|--------------------------|
| Restricted: | |
| Deposits | <u><u>\$ 285,484</u></u> |

CITY OF ANAMOSA
Schedule of Indebtedness
Year ended June 30, 2011

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|--|----------------------|-----------------------|---------------------------------|
| General obligation notes: | | | |
| Corporate purpose anticipation note | October 1, 2008 | 3.75% | \$ 1,957,318 |
| Refunding notes - Series 2010A | April 1, 2010 | 1.00-2.55% | 1,925,000 |
| Economic development and refunding note: | December 4, 2009 | 1.25-4.40% | 2,410,000 |
| Public Works Facility Note | November 8, 2010 | 2.85% | 400,000 |
| Total | | | |
| Road Use Tax: | | | |
| Road use tax revenue notes | November 1, 2002 | 2.50-5.25% | \$ 1,595,000 |
| Revenue notes: | | | |
| Sewer revenue notes | February 12, 2008 | 3.00% | \$ 2,320,000 |
| 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> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ 1,957,318 | \$ - | \$ 1,957,318 | \$ - | \$ 30,583 | \$ - |
| 1,925,000 | - | 230,000 | 1,695,000 | 42,825 | - |
| 2,295,000 | - | 120,000 | 2,175,000 | 76,502 | - |
| <u>-</u> | <u>400,000</u> | <u>80,000</u> | <u>320,000</u> | <u>6,017</u> | <u>-</u> |
| <u>6,177,318</u> | <u>400,000</u> | <u>2,387,318</u> | <u>4,190,000</u> | <u>155,927</u> | <u>-</u> |
| <u>970,000</u> | <u>-</u> | <u>105,000</u> | <u>865,000</u> | <u>47,675</u> | <u>-</u> |
| 1,821,762 | - | 92,000 | 1,729,762 | 60,453 | - |
| <u>985,000</u> | <u>-</u> | <u>120,000</u> | <u>865,000</u> | <u>50,320</u> | <u>-</u> |
| <u>2,806,762</u> | <u>-</u> | <u>212,000</u> | <u>2,594,762</u> | <u>110,773</u> | <u>-</u> |
| <u>\$ 9,954,080</u> | <u>\$ 400,000</u> | <u>\$ 2,704,318</u> | <u>\$ 7,649,762</u> | <u>\$ 314,375</u> | <u>\$ -</u> |

CITY OF ANAMOSA
Bond and Note Maturities
June 30, 2011

| General Obligation Notes | | | | | | | |
|---------------------------------|--|-------------------|---|--------------------|------------------------------------|--------------------|--|
| Year Ending June 30, | GO Public Works Facility Note | | GO Refunding Bonds, Series 2010A | | GO Economic Development | | Total General Obligation Debt |
| | Issued Nov. 8, 2010 | | Issued April 1, 2010 | | Issued Dec. 4, 2009 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2012 | 2.85 % | \$ 80,000 | 1.20 % | \$ 240,000 | 2.00 % | \$ 150,000 | \$ 470,000 |
| 2013 | 2.85 % | 80,000 | 1.45 % | 245,000 | 2.25 % | 215,000 | 540,000 |
| 2014 | 2.85 % | 80,000 | 1.75 % | 250,000 | 2.50 % | 175,000 | 505,000 |
| 2015 | 2.85 % | 80,000 | 2.15 % | 220,000 | 2.90 % | 190,000 | 490,000 |
| 2016 | | - | 2.55 % | 740,000 | 3.10 % | 125,000 | 865,000 |
| 2017 | | - | | - | 3.50 % | 145,000 | 145,000 |
| 2018 | | - | | - | 3.75 % | 155,000 | 155,000 |
| 2019 | | - | | - | 3.85 % | 195,000 | 195,000 |
| 2020 | | - | | - | 4.00 % | 260,000 | 260,000 |
| 2021 | | - | | - | 4.20 % | 275,000 | 275,000 |
| 2022 | | - | | - | 4.40 % | 290,000 | 290,000 |
| Total | | <u>\$ 320,000</u> | | <u>\$1,695,000</u> | | <u>\$2,175,000</u> | <u>\$ 4,190,000</u> |
| Special Revenue Debt | | | | | | | |
| Year Ending June 30, | Road Use Tax Revenue | | Sewer Revenue | | Sewer Revenue | | Total Revenue Debt |
| | Issued Nov. 1, 2002 | | Issued Feb. 12, 2008 | | Issued Oct. 1, 2002 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2012 | 4.65 % | \$ 105,000 | 3.00 % | \$ 97,000 | 4.90 % | \$ 125,000 | \$ 222,000 |
| 2013 | 4.75 % | 110,000 | 3.00 % | 100,000 | 5.00 % | 135,000 | 235,000 |
| 2014 | 4.85 % | 115,000 | 3.00 % | 103,000 | 5.10 % | 140,000 | 243,000 |
| 2015 | 4.95 % | 125,000 | 3.00 % | 106,000 | 5.20 % | 145,000 | 251,000 |
| 2016 | 5.05 % | 130,000 | 3.00 % | 109,000 | 5.30 % | 155,000 | 264,000 |
| 2017 | 5.15 % | 135,000 | 3.00 % | 113,000 | 5.40 % | 165,000 | 278,000 |
| 2018 | 5.25 % | 145,000 | 3.00 % | 116,000 | | - | 116,000 |
| 2019 | | - | 3.00 % | 119,000 | | - | 119,000 |
| 2020 | | - | 3.00 % | 123,000 | | - | 123,000 |
| 2021 | | - | 3.00 % | 127,000 | | - | 127,000 |
| 2022 | | - | 3.00 % | 131,000 | | - | 131,000 |
| 2023 | | - | 3.00 % | 134,000 | | - | 134,000 |
| 2024 | | - | 3.00 % | 139,000 | | - | 139,000 |
| 2025 | | - | 3.00 % | 143,000 | | - | 143,000 |
| 2026 | | - | 3.00 % | 69,762 | | - | 69,762 |
| Total | | <u>\$ 865,000</u> | | <u>\$1,729,762</u> | | <u>\$ 865,000</u> | <u>\$ 2,594,762</u> |

CITY OF ANAMOSA

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Six Years

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| RECEIPTS: | | | | | | |
| Property tax | \$ 1,400,549 | \$ 1,266,102 | \$ 1,214,875 | \$ 1,017,807 | \$ 973,794 | \$ 914,511 |
| Tax increment financing collections | 352,582 | 348,260 | 295,829 | 577,134 | 576,509 | 565,948 |
| Other city tax | 663,601 | 552,180 | 551,285 | 518,050 | 413,792 | 427,377 |
| Licenses and permits | 18,964 | 19,365 | 5,115 | 8,546 | 10,370 | 7,460 |
| Use of money and property | 49,345 | 128,162 | 76,628 | 97,380 | 80,686 | 63,342 |
| Intergovernmental | 1,703,118 | 2,296,571 | 738,312 | 977,347 | 888,072 | 768,030 |
| Charges for service | 248,069 | 536,397 | 272,711 | 130,396 | 117,672 | 137,328 |
| Special assessments | 39,568 | 34,359 | 43,721 | 49,634 | 82,155 | 82,810 |
| Miscellaneous | <u>234,884</u> | <u>197,900</u> | <u>278,929</u> | <u>218,598</u> | <u>272,888</u> | <u>325,446</u> |
| Total | <u>\$ 4,710,680</u> | <u>\$ 5,379,296</u> | <u>\$ 3,477,405</u> | <u>\$ 3,594,892</u> | <u>\$ 3,415,938</u> | <u>\$ 3,292,252</u> |
| DISBURSEMENTS: | | | | | | |
| Operating: | | | | | | |
| Public safety | \$ 929,824 | \$ 4,851,603 | \$ 827,012 | \$ 688,777 | \$ 566,170 | \$ 531,939 |
| Public works | 814,899 | 787,526 | 576,527 | 790,968 | 456,399 | 477,866 |
| Culture and recreation | 697,926 | 679,815 | 709,517 | 719,341 | 647,769 | 499,851 |
| Community and economic development | 19,085 | 502,638 | 352,173 | 81,771 | 141,556 | 190,267 |
| General government | 499,927 | 512,849 | 496,667 | 459,458 | 355,676 | 296,893 |
| Debt service | 2,696,820 | 717,230 | 630,080 | 724,012 | 1,046,488 | 840,653 |
| Capital projects | <u>1,341,948</u> | <u>288,472</u> | <u>2,432,424</u> | <u>840,872</u> | <u>1,284,894</u> | <u>1,052,322</u> |
| Total | <u>\$ 7,000,429</u> | <u>\$ 8,340,133</u> | <u>\$ 6,024,400</u> | <u>\$ 4,305,199</u> | <u>\$ 4,498,952</u> | <u>\$ 3,889,791</u> |

CITY OF ANAMOSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Federal Expenditures</u> |
|---|------------------------|--|---------------------------------|
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 08-DRI-239 | \$ <u>553,134*</u> |
| U.S. Department of Homeland Security: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-1763-DRIA | 164,793 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-1928-DRIA | <u>33,840</u> |
| Total U.S. Department of Homeland Security | | | <u>198,633</u> |
| Total | | | <u>\$ 751,767</u> |

* Denotes a major program

This information should be read only in connection with the notes to
the schedule of expenditures of federal awards.

CITY OF ANAMOSA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anamosa and is presented on a cash basis which is an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUB-RECIPIENT PAYMENTS AND NONCASH ASSISTANCE

There were no payments passed through to sub-recipient agencies during the year ended June 30, 2011. In addition, there were no non-cash assistance, loans or loan guarantees outstanding as of and for the year ended June 30, 2011.

This information is an integral part of the accompanying
schedule of expenditures of federal awards.



CliftonLarsonAllen

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
Anamosa, Iowa

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 16, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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

Management of the City of Anamosa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Anamosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Anamosa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Anamosa's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying schedule of findings and questioned costs as items II-A-11, II-B-11, and II-C-11 to be material weaknesses in internal control over financial reporting.

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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, 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.

City of Anamosa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Anamosa's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Anamosa, federal awarding agencies and pass-through entities 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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 16, 2012



CliftonLarsonAllen

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of City of Anamosa with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2011. City of Anamosa's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of Anamosa's management. Our responsibility is to express an opinion on City of Anamosa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Anamosa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Anamosa's compliance with those requirements.

In our opinion, City of Anamosa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of City of Anamosa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Anamosa's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III-A-11, III-B-11 and III-C-11 to be material weaknesses. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Anamosa's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Anamosa's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Anamosa, federal awarding agencies and pass-through entities 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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 16, 2012

**CITY OF ANAMOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Part I - Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness identified? X Yes No
- Deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major program Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? X Yes No

Identification of major program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF ANAMOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11: Segregation of Duties

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.

Context:

During our audit we found that the City Clerk could perform all duties in the accounting function.

Effect:

As a result of this condition, there is more than a remote risk that errors or irregularities could occur and not be detected within a timely manner.

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 that the City review its operating procedures to obtain the maximum internal control possible under the circumstances. We also recommend that the City Administrator review the monthly bank reconciliation and initial and date the reconciliation that was performed by the City Clerk after their review. In addition to that, the City Clerk initial and date the reconciliations that were done by the Deputy City Clerk.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. We are aware of the lack of segregation of duties and have considered alternatives to improve the situation. We are monitoring the situation and are segregating accounting duties where practical.

Conclusion:

Response accepted.

II-B-11: Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

CITY OF ANAMOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements: (continued)

II-B-11: Preparation of Financial Statements (continued)

Condition:

The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable accounting principles to the extent required to utilize such a disclosure checklist. As a result, the City of Anamosa has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

CITY OF ANAMOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements: (continued)

II-C-11: Audit Adjustments

Criteria:

The City should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

Condition:

During the course of the audit, misstatements that had a more than inconsequential effect on the City's financial statements were discovered. Adjusting journal entries were made to correct the misstatements.

Context:

Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the City's internal control system.

Effect:

As a result of this condition, there is a higher risk that misstatements that are more than inconsequential to the financial statements could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

Recommendation:

We recommend that the City establish internal procedures to adjust all account balances prior to the audit.

Management Response:

Management will review financial statements and correct necessary accounts prior to the audit.

Conclusion:

Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ANAMOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

U.S. Department of Housing and Urban Development:
Passed through the Iowa Department of Economic Development

- III-A-11 Segregation of Duties - A lack of segregation of duties over receipts and disbursements, including those related to federal programs, exist in the City's finance department. See audit finding II-A-11.
- III-B-11 Preparation of Financial Statements - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors would be identified and corrected. See audit finding II-B-11.
- III-C-11 Audit Adjustments - During the course of the audit, misstatements that had a more than inconsequential effect on the City's financial statements were identified. Adjusting journal entries were made to correct these misstatements. See audit finding II-C-11.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the debt service, public safety, and community and economic development functions, prior to the budget being amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- 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.
- IV-B-11 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.
- IV-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF ANAMOSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Part IV: Other Findings Related to Required Statutory Reporting: (CONTINUED)

IV-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|--------------------------------|---------------|
| Cody Shaffer, council member, son of owner of Shaffer Plumbing and Heating | Plumbing related | \$ 634 |
| Bill Feldman, council member, owner of Feldman's Yard-n-Garden | Lawn mowing | \$ 467 |

The transactions with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Revenue Notes - As of June 30, 2011, the City was in compliance with the funding and payment provisions of the revenue note resolutions.

IV-G-11 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

IV-H-11 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-I-11 Financial Condition - The Capital Projects, Water Projects Fund, the Capital Projects, Street Projects Fund, the Capital Projects, Sewer Projects Fund, and the Special Revenue, Anamosa Local Access Fund had deficit balances at June 30, 2011.

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

Response: The Capital Project Fund deficits were due to capital project costs incurred before grant and bond proceeds were received. These deficits will be eliminated next year. The Special Revenue Fund was a timing issue related to when their franchise fees were received. This deficit will be eliminated next year.

Conclusion: Response accepted.

**CITY OF ANAMOSA
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

| <u>Reference</u> | <u>Comment Title</u> | <u>Status</u> | <u>If not corrected, planned corrective action or other explanation</u> |
|-------------------------|-------------------------------------|---|--|
| I-A-10 | Segregation of duties | Not corrected; reported as finding II-A-11 in the current year. | Segregation of duties is not ideal with the size of staff, however results are monitored monthly by management. |
| I-B-10 | Preparation of financial statements | Not corrected; reported as finding II-B-11 in the current year. | The City does not have resources to employ staff possessing the detailed understanding of reporting requirements. The City relies on an independent auditor to prepare its financial statements. |
| I-C-10 | Financial Reporting | Corrected | |
| I-D-10 | Financial Reporting | Corrected | |